

Agricultural Credits - 1916

Analysis of the Federal Rural Credit Law by Congressman Vinson

Hon. Carl Vinson, Representative in Congress of the tenth Georgia district, in a recent address in the house of representatives, gave a very complete analysis of the rural credit law and the methods of obtaining loans under the new law. He explained that the law provides for the creation of a federal farm loan board consisting of the secretary of the treasury and four other members. This board is empowered to divide continental United States into twelve districts, in each of which is to be established a federal land bank, the stock in each to be not less than \$750,000.

"The right to make loans by a federal land bank is limited to the following purposes:

"(a) To provide for the purchase of land for agricultural purposes.

"(b) To provide for the purchase of equipment and live stock necessary for the proper and reasonable operation of the farm.

"(c) To provide buildings and for the improvement of farm lands.

"(d) To liquidate the indebtedness of the owner of the land mortgage existing at the time of the organization of the farm loan association.

"The federal land bank under this act is permitted to loan 50 per cent of the value of the land mortgaged and 20 per cent of the value of the improvements situated thereon.

"The loan can not be made for a period of less than 5 years nor more than 40 years, and no loan on a mortgage can be made under this law at a rate of interest exceeding 6 per cent per annum, exclusive of amortization payments.

"No person can avail himself of this act to borrow money from a federal land bank who is not at the time or shortly to become engaged in the cultivation of the farm mortgaged.

National Farm Loan Association.

"The National Farm Loan association, provided for by this act, must be composed of not less than 10 men in any community or county within a federal land bank district, who desire to secure loans and who organize into what is termed and classified by the act as a national farm loan association.

"When ten borrowers desire to organize for the purpose of creating a national farm loan association they shall in a general way specify in articles of agreement for what purpose the association is formed, the territory, community, or political subdivision within which it is to do business.

"They then draft what is termed articles of agreement, send a copy of the same to the federal land bank of the district, accompanied by a subscription of stock in said federal land bank amounting to 5 per cent of the aggregate amount of the loans desired by the ten men who organize the National Farm Loan association.

"Upon receipt of the charter authorizing the establishment of the National Farm Loan association it would be authorized and empowered to receive from the federal land bank of the district in which it is organized and chartered to do business sums of money to be loaned to its members who organize the same.

"These three organizations, first, the federal farm loan board, which is located at the treasury department at Washington city; second, the federal land bank, located in a city in each federal land bank district; and, third, the National Farm Loan association, constitute the machinery of this act.

Methods by Which a Borrower Secures a Loan.

"Having briefly outlined the organization and machinery for carrying out the provisions of the act under discussion, it becomes important now to explain to you the methods by which one may secure a loan.

"At the outset let me impress upon you this fact, that no borrower can secure a loan

from a Federal land bank unless he is a member of the National Farm Loan association of the community or county in which will be repaid.

"When a National Farm Loan association has been organized in the method I have just pointed out, for a borrower to obtain money more than 40 years, and the interest rate he must become a member by making application to the secretary-treasurer of the association, who submits his application for a loan to the loan committee of the association.

"The loan committee appraises the value of his land and the improvements thereon. Then the board of directors pass upon the loan. His application must be accompanied by an agreement to take 5 per cent of the amount of the loan in stock in the federal land bank of that district. The application, the agreement to take stock, the chain of title, and the recommendation of the local farm loan association are then forwarded by the secretary-treasurer of the association to the federal land bank.

"If the loan is approved, he then becomes a member of the National Farm Loan association and obtains his loan from the federal land bank.

"Now, to cite a concrete case: Suppose A has a piece of land worth \$1,800, and the improvements thereon being worth \$500—the total value of land and improvements, \$2,300. He desires a loan, therefore A must become a member of the association in the manner I have pointed out, and under the law he can borrow 50 per cent, or \$900, on his land and 20 per cent, or \$100, on the value of the improvements. A does not get in cash the whole sum of \$1,000 because he must take 5 per cent of the amount of the loan in stock. In this case A would be required to take \$50 in stock in the federal land bank of that district. However, A is entitled to whatever profits are made on his stock, and when his loan is paid off he is credited with the \$50 worth of stock, and it is then canceled.

"In addition to this purchase of \$50 worth of stock A must at the time he becomes a member sign an agreement guaranteeing liability to the extent of 10 per cent, or twice the amount of stock. In other words, in the case now used, A is required to assume \$100 liability for his loan of \$1,000.

"Under the law regulating the farm loan association, supervised as it will be by the federal land bank and the farm loan board, it is not believed that the borrower will ever have to pay any loss on account of this guaranty, and this amount is not deducted from the loan and not paid at all unless a loss is sustained by the farm loan association.

"Of course when the borrower's loan has been liquidated his stock is canceled and the agreement is at an end. In other words, his stock is simply an investment which he must make to secure his loan.

"The results, as far as I have been able to estimate ahead of time in the case referred to, would be about as follows:

Land valued at	\$1,800
Improvements valued at	500
Total value of A's land and impr'ts.	\$2,300
Estimated cost to A:	
Subscription to stock in land bank	50
Cost of abstract of title (estimated)	10
Cost of examining abstract (estimated)	5
Cost of appraisal (estimated)	5
Cost of recording mortgage (estimated)	2
Total cost to A	72
Total loan A can obtain	\$1,000
A receives in cash	\$928

"Counting his stock as an investment, he borrows \$950 at an expense which it is believed will not exceed \$22.

"At this point let me digress and call your attention to the absolute necessity that the general assembly of the state of Georgia adopt the Torrens title system or some other similar system which will shorten the initial expense and reduce the cost of abstracting.

"Of course, if the borrower already has title, he is also required to subscribe one per cent of the amount of the loan for stock to be borne again. Even the initial fee may

be paid by the bank and deducted from the loan.

Repayment of the Loan.

"Having analyzed in a brief manner how a borrower becomes a member of the association and obtains his loan, it is important now to point out for your benefit how a loan

"Of course the borrower regulates the period of time for the loan to run, and it can be for a period of not less than 5, nor more than 40 years, and the interest rate at no time can be over 6 per cent per annum.

"Now, let us take the case of A who has a real estate valued at \$1,800 and improvements thereon valued at \$500. He desires to secure a loan of 50 per cent of the value of his land, which would be \$900, and 20 per cent of the value of improvements, which would be \$100—the total amount of the loan that A can obtain being \$1,000, on his land and improvements. A desires this loan for a term of 20 years at 6 per cent interest and the same on the amortization plan, which is an annual payment consisting of the principal and the interest. He will repay the loan according to this table:

Periods.	Total annual payment.	Interest at 6 per cent.	Paid on principal.	Amt. on principal unpaid.
1.....	\$87.19	\$60.00	\$27.19	\$972.81
2.....	87.19	58.36	28.83	943.98
3.....	87.19	56.63	30.56	913.42
4.....	87.19	54.80	32.39	881.03
5.....	87.19	52.86	34.33	846.70
6.....	87.19	50.80	36.39	810.31
7.....	87.19	48.61	38.58	771.73
8.....	87.19	46.30	40.89	730.84
9.....	87.19	43.85	43.34	687.50
10.....	87.19	41.25	45.94	641.56
11.....	87.19	38.49	48.70	592.86
12.....	87.19	35.57	51.62	541.24
13.....	87.19	32.47	54.72	486.52
14.....	87.19	29.19	58.00	428.52
15.....	87.19	25.71	61.48	367.04
16.....	87.19	22.02	65.17	301.87
17.....	87.19	18.11	69.08	232.79
18.....	87.19	13.96	73.23	159.56
19.....	87.19	9.57	77.62	81.94
20.....	86.85	4.91	81.94
Total	\$1,743.46	\$743.46	\$1,000.00

"It will be observed by the above table, which I have worked out on the amortization plan, that the amount paid annually is \$87.19, making a total of \$1,743.46.

"The calculation of principal and interest on \$1,000 for 20 years at 6 per cent totals \$2,200; therefore one can save \$456.54 on a loan of \$1,000 at the same rate of interest under the amortization plan.

Beneficial to Tenants.

"I shall endeavor to show you how this act can be of material benefit to the tenant farmer.

"For the purpose of illustrating, take the case of A, who is a tenant of B, renting annually 100 acres of land, on which A conducts a three-horse farm and pays in rent to B two bales of cotton per plow, or six bales per year. At 10 cents a pound for the cotton A is paying an annual rental of \$300.

"A (the tenant) is thrifty, industrious and honest, and desires to purchase the 100 acres of land which he has been renting year by year from B.

B agrees to sell the land to A at \$10 per acre, or \$1,000, provided A can make a substantial cash payment and also agrees that the balance is to be paid in four annual payments, with interest at 8 per cent, on the amortization plan.

"A accepts the terms and the trade is consummated on the conditions above stated. At the time of purchase has no cash to make the first payment; therefore he obtains from B a warranty deed to the 100 acres of land for the purpose of mortgaging the same to the federal land bank in order to secure the money to make the cash payment, and also files his application to become a member of the National Farm Loan association of the district in which the land is situated, and asks for a loan of 50 per cent of the value of the land, or \$500, which loan is to be for a period of 20 years, at 6 per cent interest, on the amortization plan.

"When A files his application, accompanied by the warranty deed and the chain of title, he is also required to subscribe one per cent of the amount of the loan for stock in the federal land bank, which in this case

amounts to \$25. This is an investment, and under the calculation above set out I estimate that the abstracting, and so forth, would amount to about \$22, making the investment in stock and the expense that A has to bear to obtain his loan amount to \$47, which sum is to be deducted from the loan of \$500.

"A would obtain in cash from the federal land bank \$453, which he would pay to B as his cash payment, and at the same time transfer to B the bond which the federal land bank had given to A when he executed his mortgage, or, if he desired to do so, make to B a second mortgage on the 100 acres of land. By this transfer of the bond or the execution of the second mortgage it would insure B from any loss in the event A could not meet the payments to the federal land bank or the deferred payments for the purchase of the land.

"I insert below a table showing A's loan of \$500 for 20 years at 6 per cent on the amortization plan to the federal land bank:

Periods.	Total annual payment.	Interest at 6 per cent.	Paid on principal.	Amt. on principal still unpd.
1.....	\$43.59	\$30.00	\$13.59	\$486.41
2.....	43.59	29.18	14.41	472.00
3.....	43.59	28.32	15.27	456.73
4.....	43.59	27.40	16.19	440.50
5.....	43.59	26.43	17.16	423.38
6.....	43.59	25.40	18.19	405.19
7.....	43.59	24.31	19.28	386.91
8.....	43.59	23.25	20.34	368.57
9.....	43.59	22.13	21.46	349.11
10.....	43.59	20.93	22.66	329.45
11.....	43.59	19.25	24.34	309.61
12.....	43.59	17.80	25.79	270.80
13.....	43.59	16.25	27.34	243.46
14.....	43.59	14.61	28.98	214.48
15.....	43.59	12.87	30.72	183.68
16.....	43.59	11.03	32.56	151.23
17.....	43.59	9.07	34.52	116.71
18.....	43.59	7.00	36.59	80.12
19.....	43.59	4.81	38.78	41.33
20.....	43.81	2.48	41.33
Total	\$872.02	\$372.02	\$500.00

"It will be observed by the table above set out that A pays \$43.59 each year, which includes the interest and a portion of the principal to the federal land bank.

"At the same time that A would be making his annual payments to the federal land bank, he would be required also to make payments to B on the deferred notes that he had given him for the balance due, which in this case amounts to \$547.

"At the end of four years A will have complied with the terms of the sale and liquidated his indebtedness to B, and he will then be required to pay but the annual payment of \$43.59 to the federal land bank for a period of 16 years, at which time he will have paid the entire amount due on the loan.

"It will also be further noted that the total payments, both to the federal land bank and to B, during the four years in which he is making payments to both, is \$91.24 less than the rent which A has been paying.

"I have by the case used above demonstrated to a mathematical certainty how a tenant can buy land and become a homeowner under the provisions of this act without at the date of the purchase of the land having had one dollar in cash, yet having made a substantial cash payment when the trade was consummated.

Exemption From Taxation and Federal Deposits.

"The act provides that the federal land bank, the mortgage and bonds issued by it, are exempt from federal, state and municipal taxation. This exemption will save to the owners of the bank, who are the borrowers, large amounts and will also increase the demand for the bonds and make them sell for a better price, thereby reducing the cost of money to the borrower.

"The act provides, in the event any disaster should occur in any section of the country and the farmers who have borrowed money should be unable to meet the payment, that the government is authorized to deposit in each land bank a sum not exceeding \$500,000 to enable the borrower to meet the interest obligations on the bonds, thereby guaranteeing to the bondholder that his bond is good and also assuring the borrower that under such circumstances he will

not be closed out and his farm sold.

Joint-Stock Land Banks.

"In my opinion this is the joker in the bill. The joint-stock land banks should be made as lonesome as a martin on a fodder stack by the farmers' refusal to patronize them.

"The farmers should not obtain the money from these private banks, but should patronize the federal land banks and make them a success.

"The federal land bank, of course, will be interested in reducing the interest rate. The joint-stock land banks will be interested in increasing the interest rate.

"The farmer who is a borrower should not be misled by borrowing from these private institutions thus authorized. It was a serious mistake to authorize these private land banks, and one that ought to be remedied by amendment, but the farmers can themselves remedy this error by not patronizing them.

"The bill is not perfect. It is not all I wanted, but it is only a beginning in the right direction."

RURAL CREDIT OPPORTUNITY.

With the banks of the south, in common with those of the entire country, overflowing with money to the point where they are compelled to invest in bonds to find an outlet, the farmer of today who wants to borrow a little to buy a piece of land or extend his agricultural operations is very much in the position of the modern Tantalus, with all sorts of water around him, but none available for drinking purposes.

The banking problem of maintaining liquid and readily convertible assets is easily understood. In fact, it is essential as a matter of protection, both to the institution itself and to its depositors. But why could not some of this money be made available for high-class agricultural loans; and through the federal reserve system or an extension of it, the bank's assets still be kept in controllable liquid state?

It is somewhat of an anomaly that farm lands, which are the best of all securities, have so long been unacceptable as collateral. This, of course, grows out of the fact that a real estate mortgage is not a liquid asset. But as long as the security is good, absolutely good, why could it not be made such?

Suppose, for instance, under a revision of the present national banking laws, a national bank should lend a farmer 50 per cent of the value of his \$10,000 farm for a period of ten years. With that kind of security easily and absolutely convertible within a reasonable time, if not upon the moment, not only would the bank be absolutely protected in the matter of its loan, but it would have what would be more than the equivalent of a government bond as a basis for the issue of currency. When money is plentiful the banks themselves could take care of such loans as these up to a certain amount; when it is scarce, they would have the federal reserve bank to fall back upon and help them to carry the situation, and at the same time keep their cash resources wholly unimpaired.

Upon some such basis as this with the details carefully worked out by a commission of legislators and financiers, it would appear that a very simple plan of rural credits might easily be devised. It might be wholly impossible under such a plan to take care of the landless man, unless he were ready to make a 50 per cent cash payment on his purchase; but it would at least provide a good and safe beginning of a rural credits system which would reach out to and materially assist the best and most productive class of farmer.

NEEDED MORE THAN EVER.

Now that a rural credits system is about to become an established fact as the result of congressional action, shortly to be completed by conference committee agreement and report, there is more need than ever in Georgia and other states which have not yet adopted it, of the Torrens system of registering land titles.

In fact, it may be found that some adequate land title registration system is an imperative prerequisite to the operation of the rural credits plan in any state.

Of the value of the Torrens system in some one of its phases, that is, modified to accord with local conditions, there has never been any question. The chief trouble about securing the enactment of it for Georgia has been that many of her legislators in the past knew little, if anything, about the system, and didn't care to give time and trouble to its investigation. The commentary is unfortunate, but true.

In a recent discussion of the subject, The Dublin Courier-Herald thus strikingly illustrates some of the evils of the present system, which the Torrens plan would eliminate:

You buy a town lot. The attorney you employ to examine the abstract reports that in 1893 judgment was entered against John Smith, who then held title to land that was afterwards subdivided, one of the subdivisions being your lot. That judgment is outlawed, but it was never properly released of record. It constitutes a cloud on the title. To make a perfect title the vendor must hunt up the person to whom the judgment ran and get a release.

You sell a farm. The buyer's attorney—more particular than yours was when you bought the farm—says the property was devised by will in 1884 to four heirs, one of them being Minerva Wilson. There is a deed from Minerva W. Smith and husband. Presumably that is the heir—she having married a Smith. But the record does not show it. For a perfect title you must hunt her up, or her heirs, and get a quit-claim deed. If you cannot do that you must go to court with an action to quiet title.

Many other instances of the present system's failure might be given, but the foregoing will suffice. Things of this sort turn

up almost every day in real estate transactions. While one attorney may pass a title, another will reject it. A little flaw, sometimes as much as a half century back, may involve heavy expense in disposing of a piece of property, and, certainly, as The Courier-Herald points out, the expense is heavy enough when there is no flaw at all.

The Torrens system as set forth in the bill by Representative Barfield, of Bibb, now pending in the house, would remove every one of these difficulties through the operation of a land court; and when this court once establishes a title and issues its certificate, the question of ownership is settled for all time. Transfer is made by a simple transfer and registration of the certificate, without any examination of title whatsoever, and the new owner is as firmly intrenched in his right as if forty lawyers had passed upon the title, and a dozen companies had guaranteed it.

It is incomprehensible that there should be any possible opposition to a system that promises so much for Georgia land owners; and if we are to participate in the advantages of the federal rural credits plan we can no longer do without it.

In the matter of genuine state service, the legislature can scarcely do better the coming session than give Georgia the Torrens system.

Does the Rural Credits Law Reach the Tenant?

MANY are asking if it is possible for tenants to use the new rural credits law—"does it reach the man without land or money?"

To this question, Professor T. J. Brooks, Rural Economist of the Mississippi A. and M. College, is sending out the following reply: The law reaches the man without money or land on condition that this man can get the seller of the land to accept a half payment of cash and a second mortgage for the remainder.

It is not necessary to own land before making application for loan. The only requirement is an affidavit concerning the land which is to be purchased. If this is satisfactory, a first mortgage on the land is given to the loan association. Half the value of the land may then be borrowed, and paid to the man from whom the land was purchased. This covers half the purchase price and a second mortgage for the remaining 50 per cent of the purchase price may be given on such terms as may be agreed on by the seller and buyer.

The only cash that the borrower must have is 5 per cent of the loan

which must be invested in the stock of the loan association. This stock will pay a rate of interest equal at least to that paid on the second mortgage, and possibly to the expense of clearing the title of the land. In the case of second mortgages being given, however, the law requires that the purchase price of the land be the same as the appraised value set by the association's loan committee, and approved by the inspector of the Federal farm loan bank.

Agricultural Credits - 1916

at Nashville, Tenn.

FEDERAL BOARD HEARS CLAIMS OF NASHVILLE

Prominent Speakers Present

Reasons for Location of Farm

Loan Bank Here.

HEARING ATTENDED

BY MANY FARMERS

Stay of Visitors Is Concluded

in City Where Movement

Was Born.

With the dinner given at the Commercial club last night, the federal farm loan board finished its three months' tour over the country in the city in which the first discussion of rural credits was held. For it was in Nashville three years ago that Herbert Quick, acting chairman of the board, held a conference in the Hermitage hotel at 3 o'clock one morning, and the movement was born that later was enacted into a law. Nashville claims the birthplace of the farm loan bank act, but asks for the district bank on merit and location alone.

The members of the board—Herbert Quick, Judge Charles E. Lobdell and Capt. W. S. A. Smith—are on their way to Washington. They left Nashville at 3 o'clock this morning. They intend to rest after their long tour, in which they crossed the continent four times. Secretary William McAdoo left them in Prescott, Ariz. George W. Norris left Friday morning. The other three continued the hearings. They arrived in the city Friday morning near 6 o'clock. At 8 they went to the Hermitage and saw the famous home of Jackson. At 10 o'clock they met in the federal court room at the custom house, where they held two sessions with the farmers of Middle Ten-

nessee. The room was filled during the day and was packed during the first session.

A short conference was held at the custom house at 9:30, before the time of the first hearing. Mr. Quick briefly told of the intents and purposes of the federal farm loan act, and then devoted an hour to questions from his audience. Afterwards he did the questioning.

Claims Presented by Leading Citizens.

The claims for the location of the bank in Nashville were presented by a representative gathering of the foremost men of the state. For the educational interests, Dr. H. A. Morgan, dean of the agricultural department of Tennessee university, and Dr. K. C. Davis, of Peabody, and head of the Knapp School of County Life, presented arguments. Senator Luke Lea and Congressman Joseph W. Byrns spoke for the people of the state at large. E. B. Stahlman presented the claims of the city of Nashville.

Of equal importance were the arguments of H. K. Bryson, state commissioner of agriculture, who said he spoke for the vast group of tenant farmers of Tennessee. Col. Joel M. Fort spoke as the representative of the friends of the colored farmers who once were slaves. The colored farmers were themselves represented by their educational leaders. Dr. Haynes, of Fisk university, and J. C. Napier appeared in their behalf. When the board meets again to thresh out the claims of over a half hundred cities they will at least have a large amount of "local color," for many amusing incidents cropped out during their hearings and were recorded by the stenographer. Every man who asked a question or appeared before the board had to give his name, address and occupation. Out of this voluminous amount of data will the matter of selecting the location of the twelve district banks of the country and of District Four, in which Kentucky, Tennessee and Alabama are proposed to form.

To all the claims the board gave careful attention. The chairman, Herbert Quick, is blessed with the saving sense of good humor, and kept the hearing from being a dry and uninteresting matter. The attitude of the board in seeking to learn from the farmers themselves caused some interesting information to be given before the final session was over. A taboo was placed upon oratory, and all addressing the chair, except in the case of a limited number of speakers, were asked to sit down while talking.

Chairman Quick Explains Plan of Bank.

"If you are through with the questions you wish to ask us, we will proceed with the examination of witnesses," said Chairman Quick, when the preliminaries and the statement of the plans and scope of the farm loan bank was given by him at the morning session.

This announcement of the board caused a stream of questions and semi-squelched oratory to pour in until the close of the last session at 5 o'clock.

The federal courtroom was packed before 10 o'clock. Later in the day, Mr. Quick said that it was one of the best audiences he has faced in the three-months trip of the board, when they have crossed the continent four times and visited every section of the country. A few minutes after 10 o'clock Mr. Quick called the house to order and began with an explanation of the farm loan bank. He told his audience that the problems and questions of the farm loan

bank seemed very intricate at first, but, like all new movements, time would simplify matters, and a few years would acquaint everyone with the actual workings of the institution.

The board is nonpartisan. Messrs. Norris and Quick are democrats, and Judge Lobdell and Mr. Smith are republicans. Mr. Norris comes from Philadelphia, Judge Lobdell from Kansas, Mr. Quick is from West Virginia, and Mr. Smith hails from Iowa. The board came to Nashville from Oklahoma.

To Divide Country Into Twelve Districts.

Mr. Quick first told of the federal farm loan board with the secretary of the treasury as a member. The United States is to be divided into twelve districts, with reference to farm loan needs. Branches may be established in the farm loan district of the parent bank. The minimum capital of a bank is \$750,000, the capital stock to be divided into shares of \$5 each.

Mr. Quick briefly summed up the manner in which farmers could secure loans. He said that in each community where ten or more farmers organized a farm loan association to borrow money on first mortgages on their farms in sums aggregating \$20,000, an organization can be perfected and the association get in touch with the authorities at Washington, where a charter is granted. Each association must have five or more directors. The charter association becomes permanent, and can take in new members at the discretion of the association. Loans are made from \$500 to \$10,000, and are intended primarily for small farmers, the main object being to give the farmers an opportunity to own their own land. They can secure a loan if they own at least 50 per cent of the purchase price. The need of live stock is recognized as a good reason, and improvements are also classed as good reasons for granting a loan.

Borrower Takes Share Of Stock in Bank.

A tenant can borrow to the value of one-half the value of the farm if satisfactory arrangements are made with the owner. The association does the valuation, and is expected to cut down the cost of abstracts and other costs which stand in the way at present of making loans. When a member of the association borrows, he takes a share of stock in the farm loan bank. If the bank loses money, no one suffers more than a loss of 10 per cent at the worst. If the bank pays dividends, the shareholder gets his portion.

The prime object of the farm loan movement is for farm development. The borrower's existing mortgages or debts may be paid. He can secure a loan for improvements on his land. Mr. Quick also said that the federal farm loan banks were for investors, and all the stock that was not sold will be taken up by the government.

Mr. Quick then said that the board was ready to answer questions. J. L. McWhorter, a merchant of Nashville; John Rogers, lawyer of Knoxville; Dr. M. E. Link, physician and farmer of Goodlettsville; Oscar Horn, farmer of Pulaski; B. T. King, farmer of Franklin; Orson Denslow, farmer of Martin; J. W. Andrews, farmer, Wilson county; Sam Webb, farmer, Franklin, were the questioners.

Bryson Speaks For Tenant Farmers.

The board then turned inquisitor, and H. K. Bryson, head of the state department of agriculture, spoke for the tenant farmers of Tennessee. He represented the large undeveloped areas of the state, particularly of the highland rim and the Cumberland plateau. Mr. Bryson was questioned closely, and it is believed that his statements in regard to the need of aid such as the farm loan bank will furnish, will influence the location of the bank in Nashville. Mr. Bryson said that the sums sought by the farmers of this section would range between \$500 and \$2,000, being made by the small farmers.

V. A. Bradley, a farmer living at Pleasant View, told of the needs of the farmer

in his section, which is located on the highland rim. He said hundreds of acres were being reclaimed, and the land is worth double where intelligent effort had been used. The question of loans made from insurance companies was mentioned by Mr. Bradley, who said interest rates were very high and were augmented by the cost of having an abstract made and other fees charged before obtaining the loan.

Newton H. White of Giles county, former speaker of the state senate, followed Mr. Bradley. He said the farmers in his section were paying eight per cent for money on short time.

Felix Ewing, a farmer of Robertson county, said that he believed the location of the farm loan bank in Nashville would help the small farmers in his section. He owned a farm of 2,500 acres, he said.

B. F. King, a farmer of Williamson county, told of conditions in his section. He was followed by J. W. Garrett of Lawrenceburg. He said that farmers in his section could not get money at 5 per cent from the insurance companies. In conclusion he said that all the roads from his county ran toward Nashville.

All Roads Run Towards Nashville.

J. E. Curtis of Davidson county and J. S. Gold of Gordonsville were heard.

Owing to his having to catch a train, Prof. H. A. Morgan of Tennessee university was unable to talk long. He had been before the board before, when they were at Memphis. Dr. Morgan said that Tennessee offered unusual opportunities for the farm loan system because of the diversity of crops and the live stock of the state. He told of the tobacco, cotton, and said the chief crop of the state is grain.

Dr. Morgan said that Middle Tennessee is particularly adapted for live stock. Cattle, sheep, horses and mules were all mentioned. A special asset to Tennessee, he said, is the large phosphate beds of Middle Tennessee. He mentioned the large number of live stock breeders in the state, and repeated that dairying was one of the many things that could be made general with the loan system.

Dr. Morgan was asked a number of questions by the board in regard to the resources of the state; the possible benefit to small farmers and the reasons from every standpoint concerning the location of the bank at Nashville.

Following the hearing of Dr. Morgan, a recess for luncheon was taken.

Mission of Board Realized in Afternoon.

The hearing was resumed at 2:30, with Dr. M. E. Link of Goodlettsville, the first to be heard. Although a number who came in from the section near Nashville had left, the attendance at the afternoon session was nearly as large as during the morning. The hearing was more in the nature of a discussion between the members of the board and the farmers. The real mission of the board in getting down to facts and learning the wants of the farmers was just realized in the afternoon.

John E. Perry, a farmer living in Wilson county, near Lebanon, is also a surveyor. His farm embraces 200 acres. He told of the prohibitive interest for small farmers.

Prof. George E. Haynes, a teacher of economics at Fisk university, was heard in behalf of the colored farmers. He owns a farm in Davidson county. He said that there was a number of his race who would become farmers if they had the proper financial aid. He said that he believed the colored farmer would form a farm loan association.

Mr. Quick said that the facilities of the farm loan bank were open to the colored farmers.

S. J. Morgan of Antioch, a county farm demonstrator, said that he bought two tracts of land, first borrowing from a bank. The insurance companies gave him a lower rate in buying his second tract. That rate, however, is higher than is promised from the farm loan banks, he said.

Insurance Companies Only Resource Now.

C. P. Barrett of Lawrence county, who is a county demonstrator, said that the only resource of the farmer in his section was the insurance companies.

J. C. Napier, an officer of a local colored banking institution, told of the financial problems of the colored farmer. He said that a separate association for colored farmers would be better.

E. Lockert Doak, assistant clerk of the federal court, told of the problems he experienced with tenants on his farm. He said his farm embraced 1,000 acres. He said that if an association were formed in his section, the colored farmers would be invited to join.

Mr. Doak said that he believed that the farm loan system, coupled with the extension work by the government, would triple the output of the farms.

Prof. Haynes was heard for a few moments regarding the negro movement to the cities and to the north. He said that he believed a movement back to the farms would result from the farm loan system.

Big Futures for Farmers With Backing.

A. J. Carver of Rutherford county, an aged farmer, told of the work of the creamery association in his county. He said he believed that a big future is open to farmers who get the necessary backing to put up silos and buy live stock.

The argument for the location of the farm loan bank in Nashville was presented by E. B. Stahlman. He said that Tennessee was as near self-supporting as any state in the union.

He said that among the great things done by the Wilson administration, the federal farm loan bank act was the greatest and most valuable. He read an endorsement from the Nashville clearing house, asking for the location of the farm loan bank in Nashville. Mr. Stahlman reviewed the steady growth of Nashville, acquired through long years of wholesome business and the splendid farming section embracing Middle Tennessee. The speaker called attention to the data compiled by the Commercial club. The splendid highways, he said, were assets both to Nashville and the country interests.

The twelve districts, as shown in the map published in the Friday morning issue of The Tennessean and American, and reproduced from the booklet prepared by the Commercial club, were formed, the speaker said, according to the last census of the rural population of the nation.

The fourth district, composed of Kentucky, Tennessee and Alabama, along with the states forming the other districts, was cited.

The opportunities for development in the south, he declared, are very many. He said the south had suffered in the past because it had been such an advocate for state's rights, but that the trend of events showed a change for better things. He said the south needs four farm loan banks.

Following a short recess, Congressman Joseph W. Byrns introduced Colonel Joel B. Fort. Colonel Fort made one of his characteristic talks. He said "cheap money" is needed by the farmers to go forward, regardless of the section in which they reside.

The speaker said that the negro farmers will get the same treatment as the white farmers from those in charge of the farm loan association.

Senator Lea Gives Reasons For Location Here.

Congressman Byrns then introduced Senator Luke Lea. "It is a magna charta," said Senator Lea, speaking of the farm loan act. He said that, although his interest was in this section of the country, he would not, as a servant of his country, ask that the district of Kentucky, Tennessee and Alabama be created unless conditions warranted it. The large number of tenant farmers in this section is the best argument for making the district as outlined, with the bank in the central location at Nashville, he declared.

A prediction of the future of the district was made by Senator Lea. The great

future wealth of the district was represented as a treasury vault.

"You, gentlemen, have the key to open that vault," Senator Lea said. "It is the farm loan bank."

Flannery of Franklin county was the last speaker. He is county demonstration agent for that county.

Two Hundred Guests Attend Dinner.

With about 200 guests, the dinner to the federal farm loan bank was voted a success by all present. Glenn Henderson presided and by way of a novelty the Fisk singers entertained the visitors with a number of southern airs.

Herbert Quick was the first speaker and his early remarks were chiefly along the work of the farm loan bank. He defined the tenant system as "a conspiracy between the landholder and the tenant to rob the soil." He asked the men in Tennessee who are landlords to aid in remedying the evil which, he prophesied, would bring destruction upon any section of the country. Mr. Quick advised the farmers of the state to join hands with the county demonstrators whom he said were of the greatest benefit to the country.

Judge Charles E. Lobdell was then introduced. He asked the pardon of those present because he was a bit nervous, saying that he was a republican and had not fully recovered from the shock of Kansas going democratic.

The speaker said that one of the most important facts brought out in his long trip over the country was that the United States is one country.

Capt. W. S. A. Smith of Iowa kept his hearers in an uproar with his humor. He also said that the reason more people did not leave Iowa for Tennessee was because of lack of "decent information." He advised the commercial organizations of the state to change conditions and said his state did not know the real situation in Tennessee.

Firmly Convinced Nashville Will Get Bank.

Judge Robert L. Peck of Springfield was the first local speaker. He said he had listened eagerly to the talks of the members of the board at the hearings during the day and was firmly convinced that Nashville would get the bank. He showed the logical location of Nashville in relation to the other contending cities and referred to the cartoon of Carey Orr's in Friday morning's issue of The Tennessean and American, showing the ideal location of the capital city of Tennessee.

J. H. Peyton said that the farm loan bank should be located in Nashville. He told of the work of the N. C. & St. L. railroad with the demonstration farms in Middle Tennessee. Mr. Peyton said he believed that development of the agricultural resources of the state is the greatest stimulus to business that can be considered. The speaker said that three things were of prime importance for the advancement of the country; the fostering of love for the agricultural life of the state, the development of patriotism and the rebuilding of the religion of Jesus Christ.

Judge B. D. Bell presented some convincing arguments for the location of the bank in Nashville, and said that poverty and inability to better conditions on the farm was the principal reason that the young people deserted the farm for the city.

Tells of Advantages For Colored People.

Dr. F. A. McKenzie, head of Fisk university, told of the great advantages that would come to the colored people of the south from the farm loan bank. He said that the colored people were essentially an agricultural people. He also said that Nashville is the center of the activities of the colored people of the south.

A belief that Nashville will get the farm loan bank was expressed by E. B. Stahlman. He said that the fact that the rural credits system originated in Nashville, insured this city for consideration without thinking of the countless other meritorious reasons. The speaker said that when the bank did come to Nashville, every citizen

should support the institution to the fullest extent.

The agricultural development of the state was told of by Dr. K. C. Davis of Peabody college. He said that the betterment of agricultural conditions was just beginning to be realized. "We shall have to look to the soil in the future and work for a permanent agriculture," he said. This future is possible, he declared, only with the co-operation of knowledge and capital.

Dr. J. D. Blanton of Ward-Belmont told of his interest in the movement, and said that he knew the truth of one side of the question—that the daughters of farmers in the south did not have the opportunities for higher education that was open to those of other sections.

Pride that the Southern Commercial Congress had a large share in starting the movement for rural credits, was expressed by Leland Hume. Mr. Hume made a strong plea for the location of the bank in Nashville.

A review of the hearing and the speeches made by the advocates of Nashville was made by Joseph W. Byrns. Mr. Byrns mentioned the intense interest of the farmers of Middle Tennessee, and said he believed that the bank will be located in this city. He claimed the placing of the bank in Nashville because of geographical location. He also told of the large vote by which the vote was passed in congress, and said that both republicans and democrats voted for the bill.

After the speech of Mr. Byrns, the members of the farm loan board were made honorary members of the Commercial club.

COLUMBIA GETS FARM LOAN BANK

For Georgia District—Louisville and New Orleans Also Get Banks—Country Divided Into 12 Districts.

Washington, December 27.—Twelve cities in which are to be located the federal farm loan banks were announced today by the farm loan board, and it is expected that within sixty days the new system will be in operation, ready to make the loans for which applications already are pouring in from every section of the country.

The banks will be set up in Springfield, Mass.; Baltimore, Md.; Columbia, S. C.; New Orleans, La.; Houston, Tex.; St. Louis, Mo.; Louisville, Ky.; St. Paul, Minn.; Omaha, Neb.; Wichita, Kan.; Spokane, Wash., and Berkeley, California.

Stock subscription books of the banks will be opened within the next ten days, probably about January 2, to remain open for thirty days. It is expected, however, that the government will have to supply most of the \$9,000,000 capital, under that section of the law which empowers the secretary of the treasury to make up the unsubscribed stock.

Directors to Be Named.

Temporary directors, five to each bank, will be named, probably within the next three weeks, by the board. As soon as the banks have been organized and borrowers have subscribed

to \$200,000 of the stock of each bank, the temporary directors will surrender their authority to boards of nine directors each, six of whom will be named by the farmer borrowers and three by the farm loan board. The permanent directors will serve three years and receive per diem compensation, as in the case of federal reserve bank directors.

Each borrower must subscribe to stock in the bank from which he borrows to the extent of 5 per cent of his loan and the original subscribers to the capital stock are required to surrender their holdings as they may be needed to meet this situation.

In designating locations for the banks the board was guided chiefly by the needs of rural sections. This has resulted in placing only two of the twelve banks in New England and middle Atlantic states, the chief centers of population. Three go to the south, five to the farming states of the middle west and two to the Pacific coast.

Twelve Farm Loan Districts.

The twelve districts into which the country is divided are as follows:

District No. 1, Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York and New Jersey.

District No. 2, Pennsylvania, Delaware, Maryland, Virginia, West Virginia and the District of Columbia.

District No. 3, North Carolina, South Carolina, Georgia and Florida.

District No. 4, Ohio, Indiana, Kentucky and Tennessee.

District No. 5, Alabama, Mississippi and Louisiana.

District No. 6, Illinois, Missouri and Arkansas.

District No. 7, Michigan, Wisconsin, Minnesota and North Dakota.

District No. 8, Iowa, Nebraska, South Dakota and Wyoming.

District No. 9, Oklahoma, Kansas, Colorado and New Mexico.

District No. 10, Texas.

District No. 11, California, Nevada, Utah and Arizona.

District No. 12, Washington, Oregon, Montana and Idaho.

"In determining the federal land bank districts and in designating the cities within such districts where federal land banks shall be located," the official announcement says, "the federal farm loan board has given careful consideration to the farm loan needs of the country. The board held public hearings in nearly every state in the union, and in this manner collected information of great value in determining its decision.

"Every reasonable opportunity has been afforded applicant cities to furnish evidence to support their claim as locations of federal land banks. More than 75 cities applied to be designated as the headquarters of a bank and were heard through representative committees and individuals."

Farm Loan Bonds.

Almost the first work of the banks, after approving and issuing loans, will be the issuance of farm loan bonds, a new form of security in this country. The bonds will be issued in denominations as small as \$25, it is expected, and will bear interest at a rate one per cent less than the interest rate charged farmers on their loans.

What this interest rate will be has not definitely been determined. It is limited by law to a maximum of 6 per cent. The expectation is that it will not exceed 5½ per cent at first and subsequently may be lowered.

Loans on farming land are limited by the law to 50 per cent of the value

of the land, and may be payable in from five to forty years. As fast as loans are made, bonds will be issued to cover them, so that at no time, under the present plan, will a bank's entire capital be tied up in loans to the detriment of other applicants. One of the chief tasks now confronting the board is to find experienced employees for the new banks. More than 6,000 applications for positions have been received. The appointments will be exempt from civil service, but the board intends to assemble a corps of men experienced in banking.

The head of each bank will be designated as the registrar. They probably will be only residents of the districts involved and preferably attorneys.

How Banks Will Be Organized.

The banks will be organized temporarily by the appointment, by the board, of five directors for each bank, who shall be residents of the district in which the bank is located. The directors will select from among their number the bank's officers. The capital stock of each bank will be open to public subscription for thirty days. If not entirely subscribed in that time the government is authorized to take the unsubscribed amount.

Through a process of having borrowers subscribe in small amounts to the capital stock it is expected that the banks soon will be virtually co-operative institutions. The permanent organization of the banks provides for nine directors, six to be selected by associations of farmer borrowers, the other three being appointed by the federal board. The terms of these directors will be three years and they will elect officers from among their number.

Plan Agreed Upon by Congressional Committee Is Combination of Hollis-Bulkley and Moss-Fletcher Idea.

FOLLOWING is the summary of the provisions of the new rural credits bill agreed on by the Congressional Sub-committee and presented to the full committee on Monday of this week:

"The bill would provide for a comprehensive form of mortgage credits system under the control and supervision of a land bank board of five members, to be appointed by the President with the approval of the Senate.

The country would be divided into 12 districts, each with a regional land bank having a capital stock of \$500,000, to be issued in \$10 shares for purchase by the public. Any such stock not taken within 90 days by private capital or by local loan organizations contemplated by the bill

would be subscribed by the Federal Government.

Business would be done directly between the regional banks and the local bodies which farmers would be authorized to organize in the form of co-operative farm loan associations or joint stock banks, charters for which would be passed on by the land bank board. Applicants for loans approved by the local organizations would be recommended to the regional

bank of the district.

The banks would be authorized to loan out of capital stock or to sell bonds to obtain sufficient funds to make the loans, and the farmers would be charged as interest the interest on the bonds plus 1 per cent. In order to reduce the rate of interest on the bonds the bill would provide that they must be accepted by banks as security for the deposits of public funds.

The borrowing associations would be divided into two classes, those organized with limited liability and those with unlimited liability. They would appraise the land on which a farmer sought to obtain money and would themselves become liable for the loan. Thus the bonds would be backed by the regional banks, the local association, the borrowing farmer and a mortgage on the land given to the association.

Out of their profits regional banks ultimately would refund to the Government such money as it may have invested in the enterprise. Payments of the mortgages by borrowers would be made on the installment plan running for a period of not exceeding 36 years.

The land banks would be permitted to accept savings deposits, and in certain specified cases to employ special agencies, including trust companies and savings banks, to make loans.

The completed bill is a compromise measure, embodying many of the features of the Hollis-Bulkley bill of the last Congress and most of the underlying principles of the Fletcher-Moss bill, fostered by the United States commission on rural credits.

THE FARM LOAN LAW.

The farm loan law, as it is called, is now a fact. President Wilson has signed the bill, and it will soon be put into force and effect. It is far-reaching in its effect, and it ought to be of tremendous advantage to the farmers of this country.

In order to borrow money from a National Farm Loan Association, as it is called a farmer must pay five dollars for one of its shares for each \$100 which he proposes to borrow. He then is entitled to one vote for each share up to ten votes. No one individual shall have more than ten votes, regardless of the number of shares he may hold.

When a farmer desires to borrow money, he applies to the association for the amount he desires, giving his personal note, secured by a mortgage on his farm. If the association approves the loan, the note and mortgage are sent to a land bank, as it is called, and the land bank sends the amount of the loan to the association, when it is handed over to the farmer. There is to be no commission, no bonus, no rake-off of any kind.

No loan is to be for less than one hundred dollars nor more than ten thousand dollars. It must be for at least five years, and not more than forty years. The loan must not exceed more than sixty per cent of the actual value of the farm.

The borrower is required to pay the interest semi-annually, together with an amount which will retire the note at the end of the period for which the money is borrowed. Thus if the loan is for forty years, one-fortieth of the amount must be paid each year, in addition to the interest on the remaining unpaid part of the loan.

Each National Farm Loan association must have at least ten members, and it can not begin business with less than twenty thousand dollars in loans applied for.

No officer of an association, except the secretary-treasurer is to be paid a salary. There are to be no fees, no perquisites of any kind. Any man charging a farmer anything over and above the actual interest on the loan is to be prosecuted. Money can be borrowed only to pay for agricultural land, equipment, fertilizers; live stock, and buildings and improvements.

The rate of interest must not be more than one per cent in excess of the interest paid upon the bonds of the association. When an association borrows money from a land bank, to loan to a farmer, it simply sells its bond, secured by the note and mortgage. Whatever interest this bond carries, plus one per cent, is the amount the farmer will have to pay. The borrower is himself a stockholder in the association, and his stock earns whatever dividend the one per cent amounts to. These bonds ought to sell for something like three per cent. That would enable the farmer to borrow for four per cent. But in no event can the borrower be charged more than six per cent per annum interest.

The farm credit law is not a money-making proposition. It is intended to benefit the farmer, and nobody else. The association may make a profit, upon the one

per cent which it receives over and above the amount it pays for its money, but even this profit goes to the borrowers.

The law is modeled on the plan of the most approved laws of foreign countries. Many European nations have had similar laws for many years. They have proven to be of great value to the farmers of these foreign countries, and our law ought to prove to be great value to us in this country.

Try a Neighborhood Rural Credit Association

Proquestion Learning

INSTEAD of buying stock in some big state-wide or Nation-wide capitalist-planned "rural credit associations," farmers would do well to put their money in local "credit unions" or local savings and loan associations, keep their money in the hands of themselves and of men they know, and see that it is used to help men right in their neighborhoods. This is the right way to build brotherhood and comradeship and coöperation and manhood.

Said a farmer in our office the other day: "I take the tax list in my section, and I know that the farmers of my community have enough money on hand to finance themselves if they would save it and lend to one another on safe terms as farmers in other countries have learned to do. But what really happens is that the farmers who

have money keep it at home or put it in commercial banks and get 4 per cent at most, while good farmers, their fellows and brothers who need credit for a few months in the year, have to pay 6 to 60 per cent for it."

We need such local credit unions everywhere, and we are going to publish further articles explaining them. We have been saying that every farmer should make a deposit of his money, and so he should. If he can't get a neighborhood credit union he should put it in a bank. But it's a thousand times better to put it in a credit union; the credit union is really a neighborhood rural credit association and all the money stays at home.

A Case for Strict Construction

IN THE new rural credits bill passed by Congress (Section 12), it is provided that no loan shall be made "to any person who is not at the time or who does not state in his application his intention to become within six months engaged in the cultivation of the farm mortgaged." Furthermore, Section 15 begins by saying:

"Any person who shall borrow from a Federal land bank for the purpose of purchasing a farm for a home under the provisions of Section 12," etc.

What we wish to point out is the necessity for a very strict construction of the passages we have printed in boldface type above. Any provision whereby money would be advanced at low interest rate to anybody who wished to buy land, without restricting such loans to persons residing on the land and "engaged in its cultivation," would not only not help working farmers, but such a provision would really injure them beyond measure. The natural and inevitable result would be

such an increase in speculative buying and such a fictitious and unjustifiable increase in land values as would impose a staggering interest burden or rent burden on the actual tillers of the soil.

It must be understood therefore (and we think it highly desirable to have Congress make its language yet more explicit on this point), that no one will be permitted to borrow on land unless he is personally going to "engage in the cultivation" of it. Under no circumstances must any proxies be allowed. That is to say, no absentee land speculator must be permitted to claim that he is going to "engage in the cultivation of the land" when he is only going to hire tenants or laborers to engage in its cultivation while he himself looks simply to "holding up" for yet higher prices the men who actually wish to become farm home owners. If this restriction against proxies is not to be observed, then indeed the last state of our farmers, and especially the landless farmers, will be worse than their first, because the gain from cheaper money would be much more than offset by the increase in speculative land prices.

We earnestly hope that our Congressmen will take the stand that the Government's aid must be to help real farmers and not to help land speculators rob farmers. Why not restore the original language in item 6, Section 12, saying loans were to be made "to provide for the purchase of a farm for a home"?

What Europe Has Done for Her Farmers

What America Must Do for Hers

THE crane in the fable invited the fox to eat with him but served the food at the bottom of long-necked pitchers and the fox got nothing. That is the sort of financial help the Government has offered the farmer—help he couldn't get at, hedged about by impossible conditions both as to collateral and as to terms of loans.

Through all the years therefore the Government of the United States in its most vital relations to the people—that of a distributor of money or credit—has given special privileges to commerce and has discriminated against agriculture. It has given the farmer a stone when he asked for bread.

Now what is proposed by the farmers of America as a remedy for this condition? It is proposed that a genuine rural credits system be established and set in operation insuring three things:

- (1) Giving land its just and proper value as collateral for loans.
- (2) Insuring the low rates of interest which such collateral should demand. (Under past conditions it has been true, as a president of the Nebraska Bankers' Association said recently, that the farmer with the best collateral offered by anybody, has to pay the highest interest of anybody.)
- (3) Gradual long-term methods of repayment, the amortization feature.

And in getting such a system started, it is asked that the Government back the system not with gifts to the farmers, but with such assistance as will insure the system's actually working from the

start and will at the same time safeguard the Government's investment and insure repayment with interest. The plan proposed in the Hollis-Bulkeley bill was the purchase of \$50,000,000 worth of farm mortgage bank bonds each year. The farmers do not care what the plan is so it actually works and gives the relief promised. They may well say to Congress as Mr. Wilson said to Congress in asking for Government aid to our merchant marine:

"I am not so much interested in the particulars of the program as I am in taking immediate advantage of the great opportunity which awaits us."

The farmers do not ask for gifts but they do ask that in view of the discrimination against farmers by all past banking systems, that a little friendly boost be given the new rural credits system in starting. And this must be done if "America is to do for her farmers what Europe has done for hers." It hasn't been sixty days since Mr. John Sprunt Hill, himself a banker of ability and Chairman of the Rural Credits Committee of the American Commission, declared that his committee officially repudiated the land-mortgage theories of Mr. Moss, and added:

"I can say to you that in every country in Europe, where land mortgage credit has been of such inestimable value in reviving agriculture, there was in the beginning some material Government aid supplied for putting the business on its feet."

Repeal the Merchant's Crop Lien or Limit the Interest Rate

Progressive Farmer
PERHAPS the most fruitful single breeder of tenancy and rural poverty in the South has been the merchant's crop lien and "time prices" system. No other evil of such proportions is yet legalized by so-called Christian states. And here is the gist of the whole matter: that under this system a man in buying the necessities of life, the things that are necessary to keep soul and body together and perhaps prevent starvation of his wife and little ones—the man is tied down to one trader and yet the state has nothing whatever to say as to the interest rate that may be charged the poverty-driven man under the name of "time prices."

Let a rich man go to borrow money from a bank, and the state says to the money-lender "Thus far shalt thou go but no further; you may charge 6, 7, or 8 per cent, but more than this is usury, accursed by God and man." But the same state which limits the money-lender to 6, 7, or 8 per cent in his dealings with the strong, in a free and open market, is silent when the weakest and most helpless man in its borders is charged possibly ten times as great a rate of interest. An investigation made by The Progressive Farmer covering ten Southern states showed an average increase of time prices over cash prices amounting to over 13 1/3 per cent. Assuming that the average term of time price credit is four months, this was equivalent to paying interest at the rate of 70 per cent

per year.

Now we believe the better and more thoughtful class of merchants would welcome the abolition of the crop lien evil. It is simply a species of gambling. The less worthy class of merchants encourage the tenant to buy heavily because of the prospect of big profits, and then presently are forced to charge big profits because the risk is so great. The result is that the tenant stays poor, uses poor tools and poor equipment, keeps in poor heart, and keeps the merchant poor also.

What is the remedy? We believe it lies in the passage of a law saying that crop liens may be given only in return for actual cash advanced at the legal rate of interest, either so much down or so much per month, leaving the giver of the lien free to buy at cash prices wherever he pleases. And this, as we said recently, will help both tenants and merchants: "Put the crop lien on a cash basis, and there will be fair competition among merchants for getting the cash advances; and the tenant, kept within limits, will get ahead, equip his farm better, make more money, and be a better customer for the merchant."

Rural Credits in the National Platforms

Progressive Farmer
WHILE our National political leaders are beginning to realize the broader aspects of the rural problem, however, we fear they yet have much to learn about rural credits. The Democratic platform-makers claim too much when they assert that with the passage of the new rural credits bill the farmer "has at last been put upon a footing of equality with the merchant, and the manufacturer in securing the capital necessary to carrying on his enterprise" and the Republican platform offers only the vague comment that it will establish an efficient instead of what it terms the inefficient system now proposed.

What is needed is a recognition of the fact that to be of real benefit to the farmers any system of rural credits must be (1) for real farmers and not for absentee landlords and (2) for "productive purposes" and not for land speculation. Already we are finding in this country abundant proof of Dr. Carver's declaration that next to war, pestilence and famine the worst thing that can happen to a rural community is absentee landlordism, and yet Congress has steadfastly refused to amend the rural credits act so as to limit the advantages of the rural credits act to resident farmers. In providing for "National farm loan associations" or farmers' cooperative land banks Congress struck out this provision, and the unrestricted "joint stock" land-mortgage banks are permitted to lend half the value of land owned by anybody—which means that land speculators will abundantly use the money which the joint-stock banks will obtain by offering tax-free bonds to the public.

For the blunder made by Congress in this respect there seems to be but one remedy and that is for individual states to amend their tax laws so

as to make the tax burden fall more lightly on resident farmers and more heavily on absentee landlords. A provision either for increasing the rate on large holdings or else for halving the first \$1,000 worth of land held by a resident owner, probably offers the most practicable remedy at the present time.

AS TO RURAL CREDITS.

Suggestion contained in the report of the Federal Reserve board that the law be amended so as to authorize a wide discretion in the making of farm loans by national banks, offers a remarkable opportunity greatly to simplify proposed rural credits legislation now pending in congress.

The proposed rural credits bill provides for another elaborate system of machinery in the shape of a dozen or more reserve banks, to be located in various sections of the country, through which the rural credits system is to be operated.

Why add all of this expensive and complicated machinery, when the object aimed at might just as well and as successfully be accomplished through the twelve Federal Reserve banks already created?

It may be objected that the present federal reserve system is essentially built upon a basis of short time loans; and that any change in the present system which would authorize national banks, upon a basis of their credit with the Federal Reserve banks, to exercise a wider discretion than at present in the making of farm loans, would necessarily involve loans of short duration only; whereas rural credits look to loans extending over a long period of years.

But that is not the question. The functions of the Federal Reserve banks could be extended, if necessary, by the creation of separate departments and based upon separate funds, so as to make them the active machinery of the rural credits system. The two functions might be arranged, for example, somewhat upon the order of the present combination of commercial and savings banks, yet between which there is a distinct line of division.

The federal government has too much machinery now. Every time a new plan is adopted a new system of machinery is made to take care of it. In this way the government goes on piling up expense and complicating matters until there is apparently no end to it.

Here is an opportunity for genuine economy coupled with the most efficient service. So far as rural credits in themselves are

concerned, the democratic congress has got to pass a bill under which the farmers of this country can satisfactorily operate and secure such reasonable loans as they need, or a republican congress will do it. The farmers are entitled and should have a satisfactory and efficient system for obtaining needed loans at reasonable interest, and for such period of time as conditions may demand.

But when it comes to the question of machinery, rural credits legislation should be simplified in every way possible. The foundation already exists in the present Federal Reserve bank system. With the same management and control these banks could be made to serve every purpose of the rural credits plan at a vast saving in expense, and with a material diminution in the number of cumbersome details.

The Real Rural Credits

Advertiser
Macon Telegraph. 2-25-16
The Telegraph has never been able to subscribe to the criticisms being aimed by the farmers' organizations of the republic at the Democratic administration because of the failure of that organization to supply the country with a satisfactory system of rural credits, except for its going off half-cock and promising such illusory and impossible Utopianism. Our only condemnation is for promising what common sense should have told them they couldn't deliver.

* * * * *
Rural credits is one of those names with a magic in the very combination of the words making a specious appeal in that it is a name for something that does not exist. Credits—like pigs—is credits, and whether they be rural or urban they are governed by the same immutable laws. But we would not be made to think, as witness this from J. J. Brown, president of the State Farmers' Union, and a man who speaks with some authority on things agricultural and related:

I think we have made it clear to the members of Congress, said President Brown of the Georgia union, that the present rural credits bill will in no sense satisfy the farmers of the country. We told them they could go ahead and pass it if they wanted it. but that very few, if any farmers anywhere, would take advantage of it. It is such a bill as would enable a farmer who owned a valuable piece of land to put a mortgage upon it, but what we think is needed most is some legislation which will assist the tenant classes in acquiring their own homes. It was brought out that 58 per cent of the farmers of the United States are of the tenant classes. If a tenant farmer has saved, say, \$500, or has acquired part of a farm, there should be some means by which he could receive assistance in expanding.

One interesting fact which was brought out in the gathering was that the farmers of Maine and other Northern States said they did not need any rural credits bill at all, as they had no trouble in getting all they wanted at 5 per cent, and sometimes even lower than that.

I do not know that the farmers of the country who do need rural credits will get just what they wanted, or what will be of service and assistance to them, but we are all agreed that the rural credits bill now before Congress will accomplish nothing and that so far as it is concerned, Congress will really be doing nothing for the farmer if it passes.

* * * * *
The key to the whole situation and the way out is shown in the statement of the farmers from Minnesota and Maine who "can get all the money they want at 5 per cent." Money is like water; it always gets there. Its level is determined by market conditions best suited to its absorption and its security. That is, a man with money puts it where it will be absolutely safe and will bring him the highest rate of interest he can get. But first of all he wants the absolute safety.

When he can get that he has plenty of money to borrow money at a low rate of interest, and with this money to build up their farms, stock them with livestock and establish themselves on a permanent basis. The German system, of course, gives the farmers a good long time in which to pay back the principal. Rural credits for German farmers has been one of the main factors in making Germany such a compact and self-sustaining nation. German efficiency and the German industrial and military systems have as their foundation the best agricultural system of any country. Those who talk of German farmers being "oppressed" evidently do not know that the German farmer gets money at four per cent. No man can be very much "oppressed" who can get money at four per cent.

* * * * *
To do that in Georgia two things are needed. First is a first-class State warehouse system—as Mr. Brown knows full well, and for which he has done some yeoman service—and the other is a strong and simple land title bill. Given these two things and it will not be long until Georgia farmers will stand with their brothers in Maine and Minnesota and get 5 per cent money. It is only good collateral for borrowing purposes that can be hypothecated, or transferred by the lender to protect indebtedness of his own. Georgia rural credit do not even faintly approach this class. Cotton warehouse receipts are good enough for the resident country banker who knows the cotton is there and can go every day to look at it, but he can't send them to the city bank from which he borrows in times of demand for big money; and our land titles are so loosely protected that before a man with good sense will lend five hundred dollars on a 500-acre farm he will make the borrower spend about sixty dollars in getting a title abstract through devious and the often uncertain processes.

There's plenty of money in the world, and money is always restless and looking for a billet. But it does demand safety before it will come into a community. And to provide that safety is the duty not of the national Congress but of the State Legislature.

At Last We Get Rural Credits Bill

6-25-16
Government Will Put Up
Money And Twelve Land
Banks Will Be Es-
tablished

Well, it looks like at last we are to have a Rural Credits system. The present plans, now being "conferred" on in Congress, are based in part on the German system. The German system was established a century ago. It has enabled German farmers

The chief difference between our rural credits system to-be and the one in Germany is that here the government will put up the money. This is known by the politicians as "paternalism," but "paternalism" may be made a very beneficial thing if it is based on business principles and applied in a business-like way. The government will put the money that the farmers will borrow, it being handled by twelve land banks established in various parts of the country. The money itself will go through local associations direct to the farmers. The farmers will get the money at about six per cent. This isn't as low interest as charged in Germany, but it is satisfactory. The time limit on paying back the principal will be thirty-six years. The man who can't pay the money back in thirty-six years had better quit farming and get him a job somewhere.

The money, it is presumed, will not be loaned to Tom, Dick and Harry. It will be loaned to men who own farms, live on them and who are trying to build up their farms and make them more productive and more profitable. It will enable these men to pay off debts and make permanent improvements. And the more improvements they make in the way of barns, silos, drainage systems, homes, waterworks, etc., the more valuable will their farms become and the greater their earning power and the greater the opportunity for the chances of permanent success. Farmers will then not have to sacrifice crops because of notes coming due in the fall. They will not have to keep borrowing from season to season to make a crop so that they can secure another loan. They will have a chance to farm as nature intended—rotate the crops, have more livestock, and build up for seasons ahead rather than for the debt-paying time every fall.

In short, rural credits, handled in a business-like way and by men who understand the importance of a permanent agriculture and who have a real sympathy for the man on the land, will be a God's blessing. It will not make anybody any more efficient or have any control over the weather or a wife with a temper. But it will give the earnest, hard-working farmer a chance to get ahead—and a real chance is all any ambitious, hard-working man wants.

It will encourage the owning of land. If a man knows that he can borrow long-time money at six per cent to improve a farm, he will make an extra effort to own a farm.

It will put more people to tilling the soil, and that's what all of America needs, except such states as Illinois and Iowa.

It will quicken interest in and knowledge of agriculture in every part of our country.

It will mean the paying of debts more promptly, and here in the Central South it will mean, in many cases, a getting away from our "credit system."

It will mean new bank accounts and a more systematic increase of bank accounts—old and new.

It will mean more stability in merchandising.

It will mean an increase in land values.

It will mean that we have at last realized that no country can be great and strong within itself without a large proportion of its population living on the land and cultivating it with profit.

HOW THE NEW RURAL CREDITS

LAW WILL HELP THE TENANT

The Progressive Farmer
President of American Bankers' Association Says if Tenant Is the Right Kind of Man There Will Be No Trouble 10-28-16

THE question has been frequently asked, "How can a renter who has not saved 50 per cent of the purchase price of land make use of the Federal Farm Loan Act to get land of his own?"

This question has been answered by P. W. Goebel, of Kansas City, Kansas, President of the American Bankers' Association, before the hearing of the Federal Farm Loan Board at Topeka, Kansas. Mr. Goebel's verbatim statement covering this matter follows:

"I heard several gentlemen say this morning, 'But how are you going to advance the interests of the tenant farmer that has not got the 50 per cent saved up to buy his land?' Why, if the tenant is the right kind of man there will be no trouble whatever. And here the personal equation comes in. The Government must require absolutely the same maximum requirements from everybody that does business with these banks, and the local banker will take into consideration the personal equation of a man wanting to buy the land; and, as a banker, I would not hesitate to say that I would loan freely on second mortgages. I would not in a commercial bank; but in a trust company or investment bank I would lend freely on second mortgages so long as I could see that the interest and the amortized payment on the first mortgage and the interest on the second mortgage and taxes and upkeep of the land would still be less than the rental value of the land.

"We will say a young man who has worked for a farmer for a number of

years, or a man of middle age whom I have known for years who has rented a place, comes to me and he says, 'I have the welfare of the farmer at heart have \$1,000, and I have two span of horses and some cows and some sows —enough reasonably to stock 80 acres of land. I have got to pay \$50 an acre for the land. I can get a loan through the National Farm Loan Association of Staunton township for \$2,000. Will you loan me the other \$1,000?'

"Now it is a very easy proposition to figure it out. I will figure that on the first mortgage of \$2,000 he will pay \$120 interest at 6 per cent. I am figuring now on the maximum. He will pay \$20 on the amortization fund. Now, I loan him the \$1,000 at 7 per cent, if you please. He will pay me \$70, and I will figure that his taxes cost him \$50, which makes a total of \$260.

"Now, that 80 acres of land if he rented it would cost him anywhere from \$325 to \$400 a year rental. It goes without saying that he will take more interest in that piece of land as an owner than as a renter. He will take better care of it and improve it. It will be improved rather than deteriorated. It does not take a great stretch of imagination to see that this man with the \$1,000 I loaned him can pay on an average of \$100 a year on the principal. In other words, he can retire the \$1,000 I am loaning him in 10 years. Then, he will simply have a proposition that with any intelligent work at all he will absolutely make a living, and the small sum he pays yearly to retire his loan finally will hardly be taken into consideration. In fact, it is my opinion, and what I am saying to you, gentlemen, is simply based on years and years of observation of the farmer and continuous financial and other business I have had with him, with any intelligent work he will have something that will make him an absolutely sure living for a good sized family.

"The result of these long-time loans will also be that more of the income from the farm can be placed into equipment for the farm; equipment not only to bring later returns in dollars to the farmer, but that will make the family feel like they want to stay there. To my notion the greatest lure of the city is the fact that these farmers' wives and daughters come into the city to visit friends perhaps who have modern equipment in their homes. It appeals to them more strongly than anything else, and makes them more dissatisfied with farm life than anything else. Now, with the bugaboo that the mortgage is going to come due in two or three years,—'I don't know how I am going to be able to renew it, or I don't know what I have to pay; there may be

Why We Can't Have Cheap Money Now

Some of Reasons Why Our Farmers Cannot Get Rates Like the Western Farmers

By E. J. BODMAX.

There is an abundance of idle money in the East. It is a problem how to get it out and earning. This Eastern money is being loaned on choice Wisconsin and Iowa farms at 5 per cent interest. This means that after paying the broker and attorney's fee, 6 per cent money to the farmer.

Conditions are not ripe in the Central South for us to get this same Eastern money. We will have to go through the same experience that those countries have gone through before they could get low rates. We must prove ourselves first. While there are millions to lend on the Iowa and Wisconsin farms at 5 per cent, there is none to lend on our farms at this rate and but a limited amount at rates far in excess of this. On the present basis farm loans being made among us, when the fees above referred to are included, amount to about 8 per cent and even more.

As disagreeable as these facts are we must face the situation and plan to correct the causes just as these other states have done. A few years ago Iowa was paying high rates of interest and could secure but a limited amount of money. It is different now. In those days it was the one-crop system. The farmer paid no attention to soil building, crop rotation, nor did he follow business principles.

Well Posted on South.

It is surprising to see how well posted the Eastern money lender is on the Southern situation. He recognizes that much of our land is equal to the lands of the Central West; that under favorable crop conditions and long seasons that we have that more and larger crops may be produced at less cost; that live stock can be raised here much cheaper than there. He knows of these possibilities; he has the government figures on the end of his tongue; he knows our record, but states that we are not availing ourselves of the natural advantages that we possess. He knows that we are not maintaining, as we should, the soil fertility through rotation of crops, the

growing of cover crops or otherwise building the soils. He knows that the low yield, as reflected in the census reports, is not due to soil or climate, but to the methods, but he states that as long as we are not improving our methods that our farmers' incomes amount to about one-seventh of that of the farmer of the Central West, likewise his ability to take care of his obligations is decreased; therefore, the loan is less secure and attractive.

The same is true about livestock. With conditions that make it possible to raise livestock at less figures, generally scrub is found on many of our farms.

Summed up, he admits that we have all of the natural advantages of soil climate, nearness to market, but we fail to grasp the opportunity.

Must Keep Up the Work.

It is surprising to find how much is known about the progress we have made in the last year or more and this step forward has created a most favorable impression. If we improve ourselves this coming season and next, the influence will be marked, but we are doubted. There is a feeling that we will not follow the safe farming doctrine that has been advocated by the government this year and other years. If we rush madly into the one crop cotton habit another year we will be set back several years. It is very important that we do not slip.

The business man, the banker, should throw no obstacles in the way of the farmer in his effort to move forward. What the money lender wants, first of all is absolute safe security. He wants to know that the interest is going to be paid when it is due and the principal taken care of according to the contract. In the case of farm lands he wants to know that a safe system of farming is being followed; a system that means the up-building of the soil; one where all of the eggs are not in one basket.

We are not in a position to argue that our system is the best. The props are knocked from under us when the cold figures are pulled on us. If, with no better soil and with less favorable climatic conditions, the Iowa farmer is in a position to produce an income of from five to seven times greater than the Southern farmer than his system must be the best.

If we will follow the government's teaching in a farming way, we will soon be in a position to command the same credit that Iowa does in the lending market.

Let every business man and banker as well as farmer use this government's

The effort of certain In Congress Southern Democrats in 5/14/16 the Senate to hamper the passage of the Federal Child Labor bill by attaching to it as a rider the Immigration Bill has been decisively frustrated. Action on the Immigration bill is to be postponed until the next session which begins in December. The child labor bill, on the other hand, has been given a preferred place on the Senate calendar. This action was taken, at the urgent request of President Wilson, by the Democratic caucus. The vote in the caucus on the proposal to keep the Child Labor bill unencumbered was 32 to 7, senators from Alabama, Virginia, North Carolina and Kentucky voting in the negative.

The conference report on the army appropriation bill is all ready for submission to both Houses of Congress. The conference has cut forty-six millions from the Senate appropriations, and added eighty-five millions to the amount carried by the bill as it passed the House. The bill, as it now stands, carries two hundred and sixty-seven millions for military defense. The Navy bill is still in conference. If the Senate figures on the navy appropriations were to be accepted, the total appropriations for national defense would amount to six hundred and thirty-seven millions; but the conference is much more likely to split the difference as it has done in the case of the Army bill.

Carranza Snubs Us Again

Carranza has appointed three commissioners to meet American representatives in the conference he suggested, but his last note declares that they are instructed to consider "preferably" the matters mentioned in his original proposal; namely: the withdrawal of our troops, the responsibility for border raids and arrangements for a border patrol. He ignores Secretary PRESIDENT WILSON'S APPOINTEES TO THE FARM LOAN BOARD

Lansing's suggestion that the joint commission study the broader relations between the two countries, which, it was hoped, might lead to some solution of the Mexican problem.

His commissioners are Luis Cabrera, Minister of Finance and formerly Carranza's agent at Washington; Alberto Pani, president of the Mexican National Railways, and Ignacio Bonillas, sub-secretary of the Department of Communications. It was rumored that President Wilson's appointees, if the plan were carried out, would be Secretary Franklin K. Lane, Justice Louis D. Brandeis and Dr. Henry Allen Tupper, of New York, who has been a special commissioner of the International Peace Forum and has conferred repeatedly with Mexican leaders.

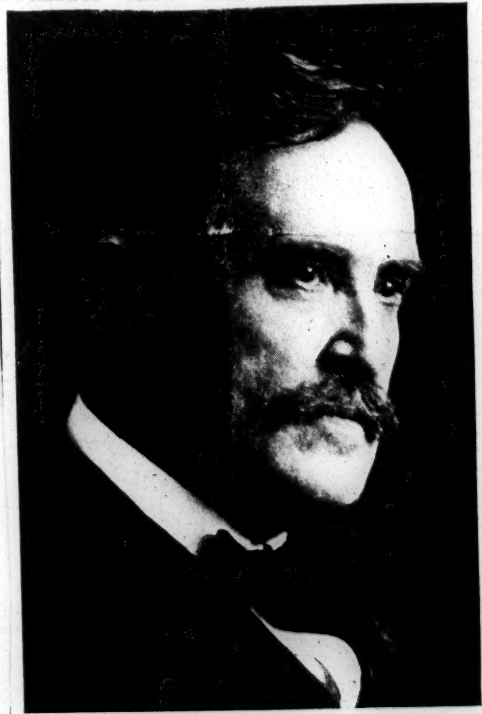
On the border the outstanding event of the week was a bandit raid near Fort Hancock, Texas, in which two Americans, a private in the Eighth Cavalry and a customs inspector, and five Mexicans were killed. It attracted special attention because, at the invitation of an American customs agent a band of eight Carranzistas, who had pursued the bandits to the Rio Grande, crossed the river, helped the Americans to round them up, and took up the chase again when they were driven back into Mexico. This is the first recorded case of actual coöperation in bandit hunting between Mexican national troops and our own.

Colonel H. J. Slocum of the Thirteenth Cavalry, commanding at Colum-

bus when that post was raided, has been officially cleared of blame for the incident by the Department of War, chiefly on the ground that the probabilities were strongly against a Villa raid at the time and that since he could not send patrols over the line he had no means of discovering the approach of the bandits.

Present Conditions in Mexico

Carranza is reported as denying the existence of the widely rumored plot on the part of his more conservative supporters and the remnants of the old Cientifico faction which supported President Diaz for so many years to overthrow the existing government and call a new election. He claims that the only important hostile force on Mexican soil today is a small and rapidly dwindling band of rebels under the leadership of Villa. No elections will be held for the presidency until after the meeting of a constitutional convention, to be chosen in October, to consider laws and amendments laid



Press Illustrating

CHARLES E. LOBDELL

Banker, judge, and student of farm problems. Born on a farm and a resident of Great Bend, Kansas. Republican

Agricultural Credits - 1916

HOW TO BORROW MONEY THROUGH A FEDERAL FARM LOAN ASSOCIATION

1. Ten or more farmers wanting loans must organize the association.
2. No man can get a loan for more than \$10,000 or less than \$100, or for less than five or more than forty years.
3. Borrower must be, or about to become, the owner of the land offered as security, and engaged, or about to become engaged, in its cultivation.
4. Borrower to use money for the following purposes and none other: (a) To purchase land for agricultural uses; (2) to purchase equipment, fertilizers and livestock necessary for the proper and reasonable operation of the mortgaged farm; (c) to provide buildings and improve the mortgaged land; (d) to liquidate indebtedness of the owner.
5. A board of five directors must be elected by the members of the association, and these directors must elect a president, vice-president, secretary-treasurer, and a loan committee of three members.
6. The loan committee must appraise the lands of all members, and the reports of these appraisers, together with other necessary information, must be forwarded by the secretary to the district Federal land bank.
7. If the district land bank and the Federal Farm Loan Board, upon examination, find that all requirements have been complied with a charter will be issued and the loans granted.

THE NEW RURAL CREDITS LAW EXPLAINED

The Machinery for Making Loans and How It Operates—How Farmer Jones May Go About Getting a Loan—Local Farm Loan Associations, Federal Land Bank Agents, and Joint Stock Land Banks

7/15/16 *Flour*
progressive

By B. L. Moss

THE new rural credits bill has passed both houses of Congress and gone to the President for his signature, and by the time this reaches our readers it will in all likelihood be a law. This is a momentous piece of legislation, with far-reaching possibilities, and we believe an explanation of its provisions will be of value to our readers.

The Machinery for Making Loans to Farmers

1. The Federal Land Banks.—The act provides for the creation of a bureau in the United States Treasury to be known as the Federal Farm Loan Bureau. This bureau is to be in charge of a Federal Farm Loan Board of five members, one of these being the Secretary of the Treasury, the four additional members being appointed by the President for eight-year terms, not more than two to belong to any one political party.

This Federal Farm Loan Board is to divide the United States into 12 Federal land bank districts, and at some one city in each of these districts there is to be established a Federal land bank, with a capital stock of not less than \$750,000. The Federal Farm Loan Board is required to invite and receive subscriptions to the capital stock of these Federal land banks, but it is expressly provided

mainder and provide teams and implements for its cultivation. Under this new law, how can he get the money?

Probably his best plan will be to organize among his neighbors a National farm loan association. To do this, not less than 10 members are required, all of whom are in possession of or are about to come into possession of the land to be offered as security, and engaged or about to become engaged in its actual cultivation. It is required that the total amount of the loans sought by all the members of the association shall be not less than \$20,000, and that no one member shall be granted a loan greater than \$10,000 or less than \$100.

Now Jones' land is worth \$1,600, we will say, and his residence, which is fully insured, \$1,000. Under the provisions of the act, he is entitled to a loan equal to 50 per cent of the appraised value of his land plus 20 per cent of the value of his insured permanent improvements. In other words, he is eligible for a loan of \$800 on his land and \$200 on his residence, or a total of \$1,000.

When 10 or more farmers have thus qualified, provided the aggregate of the loans applied for shall be \$20,000 or more, their application will be ready for consideration by the district Federal land bank. However, before forwarding this application the local association must have elected five directors, who shall be members of the local association. It is required further that the board of directors shall elect a president, vice-president, a loan committee of three members, and a secretary-treasurer. All directors and other officers, except the secretary-treasurer, whose compensation shall be fixed by the board of directors, shall serve without pay.

It is the business of the secretary-treasurer to act as the custodian of the funds of the association, collect and forward to the district land bank payments of interest and principal when due, and to keep complete records of all transactions. He is to be bonded in such sum as the United States Farm Loan Board may deem necessary.

When the local association has been organized as above outlined, it is the business of the secretary-treasurer to forward to the Federal land bank in his district the articles of association accompanied by a report of the loan committee of the local association, together with all other evidence needed to show that the association has complied with all the requirements. Upon receipt of this, the Federal land bank appraiser is required to investigate and report. If his report is favorable, the applica-

tion is forwarded to the Federal Farm Loan Board at Washington, for final approval or rejection. If approved, a charter is granted the local association and the Federal land bank is instructed to grant the loans applied for.

What It Costs Jones to Get His Loan

UPON making application for membership in the local association, Jones must subscribe for stock in it to the amount of 5 per cent of the face of his loan. In other words, if he is to get a loan of \$1,000, he must take \$50 worth of stock in the association. Suppose, however, Jones is hard up just then and hasn't the \$50. In such case, he will be assigned \$50 worth of stock and this amount will be deducted from his loan, he receiving \$950 instead of \$1,000. It is expressly provided, however, that when Jones' loan is fully repaid that he shall be paid cash for the stock he holds.

Jones is also required to pay the actual expenses incident to appraising his land, examining the title, and making and recording the mortgage. These items will probably range from \$10 upward, depending upon circumstances. On a farm of 80 acres, these items of expense will run probably not less than \$10 or \$15 or more than \$30 or \$40. It is provided that these expenses, too, may be advanced to Jones by the Federal land bank, in case Jones at the time is hard up for ready cash.

Loans are to be made for the purpose of buying, improving, or paying off the indebtedness on farm lands; shall run for not less than five nor more than forty years; and the interest rate, exclusive of amortization payments (that is, payments on the principal), shall not be more than 1 per cent greater than the interest paid by the last series of farm land bonds issued by Federal land bank in that district, and in no case shall be greater than 6 per cent per annum.

As an illustration of how the amortization plan of payment works, we will suppose that Jones borrows his \$1,000 for a term of 16 years, paying 6 per cent interest. In this case, 16 annual payments of \$100 each will serve to pay the interest and entirely repay the principal. Or if Smith borrows \$100 at 6 per cent interest, he may, by making 19 annual payments of \$9 each, entirely repay the loan, with interest.

While loans are to be made for not less than five nor more than forty years, provision is made, after the expiration of five years, for the borrower to repay his loan as rapidly as he may wish.

Getting Loans Through Land Bank Agents

NOW let us suppose that Jones lives in a community where, for one reason or another, it is impossible to organize ten or more farmers into a farm loan association. In such case, the law provides that the Federal Farm Loan Board, in its discretion, may appoint agents and through these lend money directly to farmers. It is expressly stipulated that such agents shall be "a duly incorporated bank, trust company, mortgage company, or savings institution, chartered by the state in which it has its principal office." Any such agent must indorse the loan and become liable for it in case the borrower defaults in his payments.

This section of the act further provides that agents making such loans shall receive payment for the actual costs incident to appraising the lands, examining titles, and filing and recording mortgages, and that these costs shall be added to the face of the loan and paid off in amortization payments. As compensation for making loans, agents may receive not to exceed one-half of 1 per cent per annum upon the unpaid principal of the loan.

The restrictions upon borrowers in regard to amount and term of loan, etc., are the same as where the money is obtained through the local farm loan association previously discussed.

Borrowing From Joint Stock Land Banks

EARLIER in this article we pointed out that the act also provides for the creation of what are to be known as joint stock land banks, capitalized at not less than \$250,000, whose business it shall be to lend money on farm lands. The creation of such institutions is entirely optional, instead of mandatory, as in the case of the district Federal farm land banks already discussed.

The business of such institutions will be quite similar to that of our present mortgage and trust companies, except that they are to be operated under close Federal supervision, are to restrict their loans to farm lands, cannot charge interest on loans at a rate greater than 1 per cent in excess of the rate of interest established by the last series of farm loan bonds issued by them, and in no case more than 6 per cent.

In securing a loan from a joint stock land bank, Jones or Smith must borrow for a term not less than five nor more than forty years, and the loan must not exceed 50 per cent of the appraised value of the land plus 20 per cent of the insured value of the improvements. Otherwise, however, the restrictions on making loans are less rigid than where the money

is borrowed through the Federal land banks. For instance, the borrower does not have to cultivate the land offered as security; there is no restriction as to the amount loaned to any one individual; nor is there any restriction as to the use to which the money borrowed shall be put.

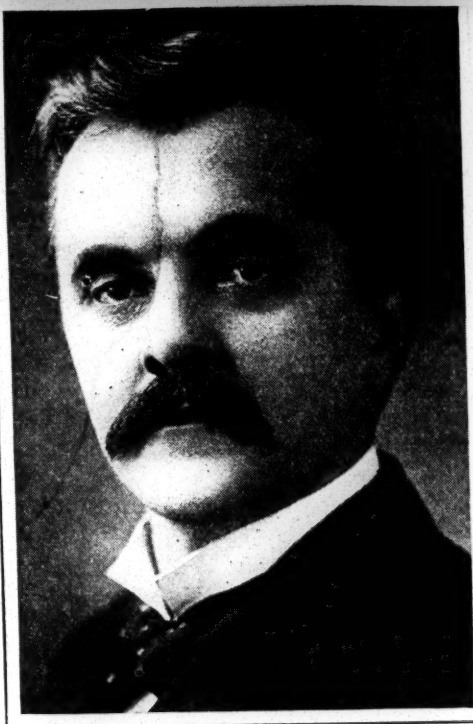
How Soon Will This Machinery Become Operative?

AS SOON as the President appoints the members of the Federal Farm Loan Board, this body will probably begin the work of dividing the country into 12 districts and locating in each district a Federal farm land bank, after which subscriptions to the capital stock of these banks will be invited. If at the end of 30 days a minimum of \$750,000 worth of stock in each bank has not been taken by the public, the Secretary of the Treasury is required by law to take up the amount necessary to bring it up to this minimum.

After these matters have been attended to, the quickness with which this piece of legislation becomes of benefit to farmers depends upon the rapidity with which the local farm loan associations are formed. In communities where farmers have already learned to work together to mutual advantage, we see no good reason why organizations should not be completed and loans actually in the hands of the farmers within six months from the present date.

However, in communities where local loan associations are not formed, the benefits of this piece of legislation will come more slowly, if at all. In such neighborhoods the law provides that after one year the Federal Board may, **at its discretion**, appoint agents who shall make loans direct to farmers; but the fact that these agents must indorse the mortgage note, guaranteeing its payment in case of default on the part of the borrower, and the compensation of only one-half of 1 per cent per annum on the unpaid principal, may make institutions eligible slow to qualify as agents.

As for the joint stock land banks, the privileges they are to enjoy should, it seems to us, make them profitable to the stockholders, and we expect to see a number of them organized. However, this will take time. So it would seem that the creation of local farm loan associations offers the quickest and best means by which farmers may avail themselves of the benefits of the Farm Loan Act.



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GEORGE W. NORRIS

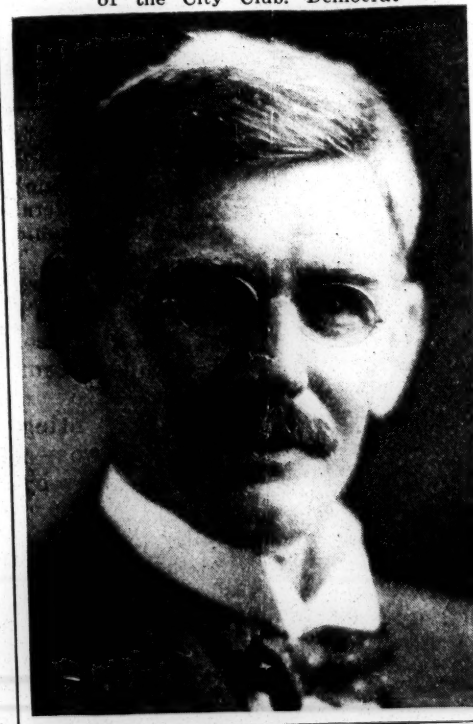
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Press Illustrating

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Agricultural Credits--1916

THE NEW RURAL CREDITS LAW IN BRIEF

8-12-16
THE ACT provides for the creation of twelve Federal land banks and permits the establishment of any number of joint-stock land banks for the purpose of making loans at a reasonable rate of interest, for long periods of time, on farm lands.

A Federal Farm Loan Board has complete control over these banks.

FEDERAL LAND BANKS

8/12/16
Twelve Federal land banks are provided, one in each of twelve districts into which the country will be divided. These banks are empowered to lend on first mortgages on farm lands in amounts of \$100 to \$10,000 for approved purposes. The loans are to be made through farm loan associations and agents. No loan may be made for more than 50 per cent of the value of the land mortgaged and 20 per cent of the value of the permanent insured improvements upon it.

National Farm Loan Associations—local organizations composed exclusively of borrowers—are authorized. These associations must be stockholders in the land banks in proportion to the amount their members wish to borrow. Eventually all stock in the Federal land banks will be owned exclusively by these associations.

A reasonable interest rate is established. The act prohibits the Federal land banks from charging more than 6 per cent on any mortgage, or requiring fees not approved by the Farm Loan Board.

The borrowers will share in the net profits of the bank because they are stockholders. It is contemplated that ultimately the borrowers will be the only stockholders.

Long term loans are provided for by authorizing mortgages for periods of from 5 up to 40 years.

Small annual or semi-annual payments on the principal are made a required feature of all mortgages.

Montgomery's Claims For Farm Loan Bank Compellingly Urged

Farmers, Planters and Business Men So Numerous, Less Than Third of Attendants Are Able to Get Into Court Room; Norris Praises Dent For His "Compelling Speech" and Thanks Committee For Manner in Which Situation Is Presented to the Board

Bombarded for four hours with verbal facts and printed figures, two members of the Federal Farm Loan Board Saturday night were presented with Montgomery's claims for the location here of a farm loan bank for a district composed of Alabama, Georgia, Florida and Mississippi.

After a score of proponents of Alabama's capital had ably, brilliantly and oratorically outlined magic reasons for choice of Montgomery for the honor under consideration, Commissioner George W. Norris, who presided, thanked the crowd that overflowed the United States district court room, in which the hearing was held; the

speakers who appeared for Montgomery, and Representative S. H. Dent, of the Second congressional district, for "his compelling speech and able presentation of information."

Commissioner Norris' remarks and the interested, attentive and careful manner in which he and his colleague, Commissioner W. S. A. Smith, listened to the remarks made to them gave great encouragement to those who are boosting Montgomery, and there was a general air of satisfaction and hopefulness pervading the atmosphere of the assembly in its closing moments.

Record Crowd of Tour

The crowd that thronged the large courtroom and overflowed into the hallway and judge's chambers was said by the board's secretary, Claud De Baum, to be the largest which had greeted it during its southern trip. A much larger assemblage would have heard the arguments had the room been larger, for many were unable to find even standing room and left the building.

The board was not accompanied by its other three members. Secretary of the Treasury William G. McAdoo, who is its ex-officio chairman, and Commissioner Herbert Quick did not leave Washington, D. C., with it. Commissioner Charles E. Lobdell left after the meeting at Jacksonville, Fla., returning to Washington to give away his daughter at her marriage. The board already has held hearings in Richmond, Va., Raleigh, N. C.; Columbia, S. C.; Jacksonville, Fla.; Macon, Ga., and Birmingham. It goes to New Orleans, La., for a hearing there Monday and then will conduct meetings in Jackson, Miss., and Memphis, Tenn., before its return from the swing through the southeast. Texas and the southwest will be visited after the national election.

The board met in Birmingham Saturday morning, after which its members were entertained at a luncheon. They arrived in Montgomery, in their private car, shortly before 7 o'clock Saturday night, being escorted by Clayton T. Tullis, president of the Chamber of Commerce; Congressman S. Hugh Dent, and Mrs. Mathis, representative of the Alabama Bankers' Association in its diversified farm work propaganda. A large crowd met the party at the depot here and escorted its members to the Federal building for the meeting.

Building Is Crowded.

The court room was crowded, and many late comers were unable to obtain points of vantage anywhere. Lawrence street and Dexter avenue sides of the Federal building were lined with automobiles, as were the two sides of The Advertiser building, directly opposite. Many of the planters in Montgomery county and adjacent counties motored into the city for the purpose of attending the hearing and presenting the claims of the Capital City of the State as the site for the farm loan bank.

As soon as the meeting was called to order, Mr. Norris, spokesman for the Federal board, took thirty minutes to explain the provisions and methods of working of the Federal farm loan bank act. Mr. Norris' explanation was concise and clear, it was stated by many of those present, and proved of direct interest to the practical farmers present, the men for whom the law was devised to aid and assist.

Rapid Progress Made

Because of the crowded condition of the second floor of the Federal building, more than one-third of those present being unable to get inside the court room proper, the commencement of the hearing was slightly delayed. Once underway, however, no time was lost, and rapid progress was made.

Following the explanation made by Mr. Norris, Capt. W. T. Sheehan, as master of ceremonies, took charge of the Montgomery end of the situation and presented each of the witnesses and speakers. The result of the conference Saturday afternoon, at which the program proper had been decided upon, was shown in the rapidity of movement during the hearing itself, and aided materially in giving the hearing an harmonious atmosphere.

Brief Is Presented

The splendid brief prepared by the committee in charge, of which A. C. Davis is chairman, was presented to the board, one copy for each of the five members and one copy for permanent file records. This brief consisted of forty-five artistically printed pages, in imitation of typewriting, on the finest quality of paper, bound in black and stamped in gold. The members of the board commented favorably on the splendid and permanent shape of the brief, and gave it more than passing attention as it was filed.

The board will complete its tour, conducting hearings in the various cities of the country, and then return to Washington, where the mass of testimony offered will be threshed out and the twelve general divisions of the United States decided on. After these divisions are decided, the board will select and designate the city in each that shall have the farm loan bank established therein.

Norris Explains Act.

Commissioner Norris opened the meeting with an explanation of the workings of the farm loan law, his remarks following the trend of the Farm Loan Primer, which is issued by the board. In part, he said:

"The general purposes of the Federal Farm Loan Act are to lower and equalize interest rates on first-mortgage farm loans; to provide longer term loans with the privilege of repayment in installments through a long or short period of years; to assemble the farm credits of the Nation to be used as security for money to be employed in farm development; to stimulate cooperative action among farmers; to check land monopoly by making it easier for tenants to get land; and to provide safe and sound long-term investments for the thrifty."

Machinery of Law.

"Briefly, the machinery for the operation of the law has three main divisions, as follows:

"1. The Federal Farm Loan Board, of five members, named by the president.

"2. The 12 Federal land banks scattered throughout the nation.

"3. The many national farm loan associations each made up of ten or more farmers who borrow from the federal land banks.

"This board establishes the 12 Federal land bank districts, establishes the banks, names the first set of bank directors, supervises the bond issues of all the banks, and is responsible for the general conduct of the entire Federal farm loan system.

The board locates these banks with a view to serving most advantageously the farm-loan needs of the nation. Each bank starts with a capital of \$750,000, but it gets additional money for lending by automatic increases in its capital stock and by the sale of its bonds.

"Any farmer who desires to take advantage of the law should find 10 or more farmers or prospective farmers in his community who wish to borrow and, with them, form a national farm loan association.

Method of Procedure.

These 10 or more farmers should make application in writing to the Federal land bank for a charter to do business. The Federal Farm Loan Board in Washington will furnish blanks for that purpose. The 10 or more farmers must sign articles of association, swear to them, and forward them to the Federal land bank. The Federal Land Bank will then send its appraiser to inspect the security, and if satisfactory the loans will be authorized when the charter is granted to the association. The bank then advances the money through the secretary-treasurer of the local association, who is a bonded officer. In the application signed by borrowers each must indicate how much money he desires and must list the value of the land to be used as security. Full instructions for organization are contained in circulars 1 and 2, which will be furnished on application.

"No one farmer may borrow more than \$10,000 nor less than \$100. No national farm loan association may start with less than \$20,000 in loans. Prospective farmers who are about to purchase land for their own use also may join. They must indicate in their applications what land they expect to come into possession of. The government wants to benefit the actual farmer, not the landlord or the speculator. Limiting the size of the loans to \$10,000 prevents the use of this act for the purposes of land monopoly.

Government May Act.

"If no local association is formed in your section after the law has been in operation a year, the Federal land bank is empowered to appoint as its agent in your territory any bank or trust company or mortgage company organized under State charter. This bank or company may make the loan for you through the Federal farm loan system, providing you subscribe to the stock of the Federal land bank to the amount of 5 per cent of the face of your loan. The bank or company acts as agent and guarantees your loan."

For so doing it is allowed a commission of one-half per cent per annum on the unpaid balance of the loan.

"The act provides that private individuals may organize joint stock land banks, with capital stock of at least \$250,000 each, and consisting of not less than 10 stockholders. One half of the capital stock must be paid up when the bank starts business, and the other half is subject to call. The joint stock land bank has the right to issue bonds after its capital is paid up, just as the Federal land banks do, and it may make loans at a rate of 1 per cent above the rate at which its last issue of its bonds was sold. Joint stock land banks are not permitted to charge over 6 per cent interest.

Statistics Presented

Mr. Norris then outlined what the board desired to learn and to hear. He was gratified, it was said after the meeting, by the manner in which Montgomery hewed to the line in telling why it should be selected for the location of the southeastern district bank. At the conclusion of his remarks, which began shortly past 7 o'clock and continued about 20 minutes, F. W. Gist, government statistician at Auburn, took the witness stand and gave the board some valuable statistical figures, during which he pointed out the importance of the 16 Southern states and then of the group composition of Alabama, Georgia, Florida and Mississippi.

Mr. Gist said that these commonwealths have eight per cent of the total population, seven per cent of the aggregate area, eight per cent of the land in farms, seven per cent of the aggregate area of cultivated lands, 14 per cent of the total number of farms, eight per cent of the total farm products, four per cent of the farm values and 10 per cent of the crop values. This total of about one-twelfth he gave as the varied reasons why Montgomery needs the farm loan bank and which make it the logical site for the institution.

Need Farm Machinery

Alabama, he said, has more than its share of the factors that make up the needs for the law, while it has only one-tenth of the number of livestock the land can maintain. Mr. Gist declared that 50 per cent of the State's tillable land is unimproved, while its agriculturists are suffering from lack of farm machinery, for which they largely have been dependent on foreign loan systems.

Probate Judge H. T. Benton, a farmer of Iowa, and J. E. Pittman, a farmer of Enterprise, spoke next on "Need of Rural Credit Systems for Changing Conditions on Cotton Plantations Due to the Boll-Weevil."

Frank D. Kohn, banker of Montgomery, outlined "Breaking Large Plantations Into Small Farms."

"Development of the Livestock Industry and Its Need of Capital" was ably handled by Morton B. Crabb, a farmer of Hale county, formerly of Kentucky, who gave an interesting short talk on the subject, and L. F. Sessions, a farmer of Dale county.

"The Negro Population and Its Farm Need" was discussed by State Treasurer W. L. Lancaster.

Negroes Wage Montgomery

In connection with this address, strong letters were read from Major R. R. Moton, head of Tuskegee Normal and Industrial School for Negroes, and E. T. Atwell, its industrial agent. Both strongly urged Montgomery as the seat of the Federal farm loan bank

for this section.

"Farm Loans and Rates of Interest" was handled by W. L. Wilde, a banker of Eufaula; Adolph Hohenberg, a merchant, banker and farmer of Wetumpka; J. S. Pinkard, a farm loan agent of Montgomery, and John P. Kohn, a local banker. Dr. H. B. Batte, professional chemist, gave some interesting, enlightening and vital facts during his address on "Montgomery as a Manufacturing and Distributive Center of Commercial Fertilizers."

L. H. Reynolds, vice-president of the Alabama Farmers' Union, of Clanton; J. W. Kelso and Prof. J. F. Duggar, State agriculturist, of Auburn, spoke on "Cooperation Between Farmers and Agricultural Associations." J. T. Watt, State demonstration agent, of Auburn, told how "Farmers are Ready and Anxious to Use Facilities of the Farm loan bank."

Other Features Presented

"Institutional Activities for Development of Agriculture," by Dr. C. C. Thach, president of the Alabama Polytechnic Institute; "Importance of Relieving State Banks of Farm Loans and Relation of Capital to the Development of Agriculture in Alabama," by Alex Walker, State superintendent of banks; "The Cut-Over Land Situation," by D. H. Marbury, of Autauga county, who owns 42,000 acres of cut-over land; W. Y. Gordon, of Baldwin county, and James A. Carney, of Baldwin county, who represented the Baldwin County Chamber of Commerce, but did not get to speak because the program was cut short; "Taxable Farm Values in Alabama," by H. C. Allen, of the State board of equalization; "Farm Lands Owned by Women in Alabama," by Mrs. W. T. Brightman, of Lowndes county; "Montgomery the Natural Location of a Farm Loan Bank in the Southeastern Section of the United States," by Ray Rushton, and "General Agricultural Conditions in Alabama," by Governor Charles Henderson, were other features of the program. Other speakers of the evening were Commissioner of Agriculture J. A. Wade and Representative H. B. Steagall, of the Third Congressional District.

Rushton Presents Case

In opening his presentation speech of Montgomery's advantages, Mr. Rushton handed the commissioners the bound volumes of the briefs arranged in the city's behalf. He touched upon the hopes that the commissioners would remain over until Sunday morning, saying that the people of Montgomery county were anxious for them to see its good roads. Mr. Rushton told the board that he thought a bank should be established in this section and that he believed Montgomery is entitled to it as the logical location.

"But I should say, locate the bank in Montgomery and then build the district about it," he declared in speaking along this line. Enthusiastic applause followed this remark. In referring to the maps included in the brief, Mr. Rushton

proposed for the southeastern bank district, saying that, in consequence, they all have the same methods of doing things while their lands also are alike. In reviewing the geographical advantages of Montgomery, Mr. Rushton said that all of the State's large plantations are in the "black belt," except a few in the Tennessee valley.

Need is Cheap Money.

"We are as much interested as is the board in the success of this bank," said Mr. Rushton, "but I say to you frankly that, if the bank is not a success, we don't want it." A round of applause followed before the speaker could give an explanation that it must be successful, for a "bank can't run on wind," he said. Mr. Rushton insisted that the loan institutions should be located among the farmers and declared that the people of this vicinity know "all about farming, for many of them have been farmers, farming is the mainstay of this city and the available money here is loaned on farms, because they are a safe investment, 'but the handicap, he intimated, has been lack of 'cheap money.'"

Mr. Rushton said that Montgomery is in the heart of the section infested by the boll weevil. In commenting on this, he declared that "we think this is a great country and that it will take more than the boll weevil to destroy it." Prolonged applause followed this statement.

Interrupted by Norris.

Commissioner Norris interrupted Mr. Rushton at this point to explain that the Federal farm loan act is destined to change the system of farm mortgages, as heretofore farmers have been mortgagees from necessity, while now they could become borrowers from choice, so that they might improve their lands, increase their products, etc. Mr. Rushton then said, in commenting on the black labor of the South, that the "competition of pauper labor in Europe is not equal to the competition that white labor has to face in the South." If conditions could be changed, he declared, the improvement would work for the better of opportunities for all. He closed his earnest advocacy by urging that the bank be located in a conservative community like Montgomery.

Ovation For Dent.

Captain Sheehan, in introducing Representative Dent, added to his laurels as master of ceremonies by saying he was "the biggest little man in the American Congress." Mr. Dent was warmly greeted. He opened his remarks by assuring the commissioners that they were in the very heart of the agricultural section widely known as the lower South. He characterized Montgomery as its center, and then thrilled his hearers by telling an incident of the Birmingham meeting.

"I was more than pleased," he said "to hear our great senator, Oscar W. Underwood, whom we all love, tell the board at its meeting in Birmingham that he thought Alabama was the place for the Federal farm loan bank and that, though he lives in Birmingham, he would not choose, as against Montgomery." Mr. Dent then added that the representatives from the first, second, third, fourth and fifth congressional districts all are pulling for Montgomery, while the congressmen from the extreme northern section of the State are doing likewise. Those from the sixth and seventh districts he termed "neutral."

"We know there is no politics in this matter," added Mr. Dent, "but when the congressmen from the southern, middle and northern sections of Alabama are recommending this city, you must realize that there is some merit in our contentions." He then thanked the board for the privilege of Montgomery's chance to present its claims and said that he felt sure the board must be convinced by the attending crowd, many of whom had been turned

away, that it would make no mistake in selecting Montgomery as the location of the southeastern bank.

Stegall For Montgomery

Captain Sheehan then made another happy little speech and introduced Mr. Stegall, whose welcome was almost as hearty as the applause given Mr. Dent's concluding remarks. The speaker said that he had served on the banking and currency committee of the house which had considered the farm loan bill for months, and that he is "a friend of agriculture and of Montgomery." Continuing, he said:

Tells of State's Disasters

"I am deeply interested in this law the provisions of which now are being formulated. I know some of the advantages that must come to our people from it." He then gave a brief explanation of the provisions of security for the loans, saying that farmers would gladly undertake such responsibilities to any national bank, which the farm loan bank will be.

He touched upon the widespread suffering now general in Alabama because of the summer storms and floods and the boll-weevil ravages, saying that many farmers, after having paid part of the purchase money on properties they hoped and expected to own now stood a good chance to lose it all. Mr. Stegall closed with the idealistic prediction that the Federal farm loan law would unite the farmers of the nation in one great credit organization, thereby making for their prosperity as well as for a greater national system of agriculture.

Norris Closes Hearings.

Commissioner Norris closed the meeting with his remarks thanking Mr. Dent and those who had done so much to put Montgomery's cause squarely and concisely before the board.

During and after the meeting, Mr. T. Blaun, the secretary, was busy giving pointers to all inquirers and distributing pamphlets explanatory of the law and its workings to all who attended the meeting.

The hearing was prolonged because the board, which expected to leave for New Orleans at 10:10 o'clock, was informed that the train was an hour and a quarter late.

RURAL CREDIT TRICKSTERS

Progressive Farmer
Farmers Warned to Be Cautious in Dealing With Them

THE Department has recently received letters from a number of farmers who have subscribed for stock in rural credit companies, including so-called cooperative companies which appear to have no real cooperative features.

In some of these letters the complaint is made that the agents selling the stock make misrepresentations as to when loans may be obtained by subscribers and that the companies later disclaim responsibility for the statements made by the agents. In a number of instances farmers seem to have gained the idea from the agent that they would be able to secure loans within a relatively short time, and express disappointment on realizing that they must wait for an indefinite period for the promised loan and go on making payments just the

same on the stock which they have agreed to take.

Where farmers are confronted with a proposition of this character, they should first read the prospectus and the contract very carefully and make sure that they know exactly what these mean, especially the contract. If the contract is so worded that its meaning is not clear after a careful reading, this in itself should be reason enough for extra caution. The agent's explanation of the contract is not a part of the contract, nor is his promise that the company will do things not specified in the contract by any means sure to be recognized by the company.

Farmers ought, first, to find out what provision has been made for the protection of the interests of subscribers, either through responsible Government supervision over the activities of the company, or in any other way, and if they are in doubt they should consult competent advisors with regard to the responsibility of the company before paying over or agreeing to pay over, their own good money. Always, in the matter of subscription to stock in any kind of a company, they should exercise caution.—United States Department of Agriculture.

50,000 FARMERS APPLY TO FARM LOAN BOARD

They Want \$150,000,000, or Seventeen Times Amount Available.

Washington, December 7.—Officials of the farm loan board announced today that more than 50,000 farmers have applied for mortgage loans aggregating approximately \$150,000,000, or more than seventeen times the amount of money which will be immediately available for loans upon the organization of the twelve farm loan banks. **7-16**

Most of the applications have come from the south and west. They still continue to come in by hundreds every day. Requests for application blanks, contemplating requests for loans to 2,000 farmers have come from Iowa alone.

Although the location of the banks probably will not be announced before December 20, it was said today that almost immediately after organization the banks would find it necessary to issue bonds for virtually their entire capital stock to meet the demands of borrowers.

Agricultural Credits - 1916

MORE ABOUT THE NEW RURAL CREDITS LAW

The Chief of Information Department Sends The Progressive Farmer a Letter Explaining Value of System to Southern Farmers
Farmers Invited to Hearings All Over the South Next Week

The Progressive Farmer 10/21/16
Frank R. Wilson, Department of Information, Federal Farm Loan Board, Washington, D. C.

FROM every quarter come inquiries about the new National rural credits law recently passed by Congress. For this reason there will be keen interest in the attached official explanation written for The Progressive Farmer by Chief of the Division of Information of the Federal Farm Loan Board.

The fact that we have such a law at all is probably due more to the Farmers' Union than any other organization, and we are glad that so many Local Unions in North Carolina and Virginia are interesting themselves in forming National farm loan associations. Notice that hearings are to be held next week in Richmond, Raleigh, Columbia, Macon and Jacksonville and that all farmers are invited to attend.

THE Federal Farm Loan Act adopted by the last session of Congress should prove the greatest contribution to the prosperity of Southern agriculture in a generation. This legislation sounds the death-knell of high interest rates and the practice of charging commissions on loans. And when it gets into operation, the nightmare of foreclosure will no longer disturb the dreams of Southern farmers.

The Government has created a banking system to be owned and controlled by farmers, for the use and benefit of farmers, through which farmers will be able to get money at actual cost on long time loans. These mortgages will be drawn on the amortization plan—which means that farmers may have from five to forty years to pay them off. The interest will be paid annually and small payments will be made on the principal each year. But it is safe to forecast that the total installments of interest and principal each year under this new system on long-time loans will not exceed what was considered a very reasonable interest rate under the old system of borrowing.

System at Work February Next

THOUSANDS of Southern farms are suffering because their owners have not the money to improve them to their highest degree of pro-

er. This system is so elastic and so comprehensive that it will reach the remotest sections of the country, and no farmer will be barred from its use because he happens to live in a remote section. Briefly, the machinery of the system is this:

How the Farmer Will Get Money

EACH one of these twelve Federal Land Banks starts with \$750,000 capital stock. This stock will be taken by the Government if private subscription does not consume it. Then the farmers, in order to borrow from these banks, are required to organize themselves into groups of ten or more, each group being called a "National Farm Loan Association." Any ten or more farmers may organize a Farm Loan Association. All they have to do is meet and sign a petition addressed to the Federal Land Bank in their district, stating that they wish to borrow, giving the value of their land as security, and indicating how much money they want to borrow. After they have adopted articles of association, elected directors and named a loan committee of three of their members to appraise their farms, the Federal Land Bank will send its appraiser to inspect the security. If everything is satisfactory the bank will make the loans, sending the money to the secretary-treasurer of the local association, who is a bonded officer.

Each farmer who borrows under this system is required to buy stock in his National Farm Loan Association equal to 5 per cent of his loan. [This may be deducted from the loan when made and will be repaid.—Editor.] The National Farm Loan Association to which he belongs then buys stock in the Federal Land Bank equal to 5 per cent of the total amount of its members' loans.

Saturday, October 21, 1916],

The Progressive Farmer 10/21/16
This bank, therefore, which starts with a capitalization of \$750,000, is constantly adding to its capital by these purchases of stock by the National Farm Loan Associations equal to 5 per cent of what they borrow. So that, as \$1,000 worth of stock is added to the capitalization of the bank, its loaning capacity increases \$20,000, which makes the ratio between the capital and the loaning capacity always the same. As long as the bank is able to sell its bonds there is no limit to its capacity to serve its borrowers.

Among the first questions farmers ask about this system is, "What interest will I have to pay? That question cannot be answered definitely yet. The rate of interest depends upon the price at which these bonds of the Federal Land Banks will sell

The law says the rate of interest cannot be over 6 per cent, and it will probably be less. The law provides that there shall be a margin of not more than 1 per cent between the price of the bonds and the rate of interest. So that if the bonds sell at 4 per cent the rate of interest cannot be over 5 per cent. The 1 per cent margin is to pay the cost of operating the system. If this cost is less, the rate of interest will be reduced by that amount.

How It Will Help Landowners and Tenants

THE Federal Farm Loan Act contains several provisions which illustrate the spirit of helpfulness to agriculture which inspired its creation and which will be paramount in its administration.

First of all, it stimulates coöperation among the farmers by requiring the organization of these local National Loan Associations. Then it turns a mortgage into an investment by giving the farmer an opportunity to use the money for such forms of improvement as will enable the investment to pay off the debt. Then it requires that the money borrowed shall be spent on the land of the borrower, and it is also so framed that no absentee landlord nor any real estate speculator who does not actually farm his own land may make use of it. Furthermore, it limits the size of the loan to \$10,000, to prevent the use of the money for the purpose of monopolizing land. Every provision of the bill is drawn in the interest of the farmer of medium-sized operations, who has heretofore suffered from restricted credit.

Under the Farm Loan Act farmers or prospective farmers may borrow up to 50 per cent of the value of their land and 20 per cent of the value of permanent insured improvements thereon. If a renter wants to use this money to purchase a farm, he must bargain for his land in advance and then indicate in his application what land he expects to come into the possession of. He will be required to have in cash 50 per cent of the purchase price, unless the man he buys from is willing to take a second mortgage on top of the Federal Land Bank mortgage. It is predicted that this practice will become popular, because the Federal Land Bank mortgage practically never comes due and is constantly being reduced by annual payments.

It is confidently predicted that the Federal Farm Loan Act will be a great boon to the permanent agricultural prosperity of the nation. It ought to result in better improved farms, and consequently smaller and better farmed farms, more permanent

farmers and fewer tenants.
THE FARMER'S CREDIT PROBLEM
Progressive Farmer 10/21/16
Farmers Who Deposit in City Banks Should Demand that Farmers Get a Fair Share of the Loans—Farm Borrowers Should Coöperate

IF FARMERS, who have good credit, can get the same advantage at the banks that merchants and manufacturers get, there ought to be but little grounds for complaint. Or, I might say, if we can get a fair proportion of the loans which banking institutions make, we cannot reasonably ask for more.

But as rule, banks are owned partly by the mercantile and manufacturing interests, and the controlling officers are from these interests. It therefore naturally follows that these interests will use most of the money available for loans, especially if nobody seriously objects. In the larger city banks the special interests will always remain in control but this ought not to be true of the banks in the smaller towns, the stock of which is owned in part by farmers and the deposits being made up largely from farmers. If we permit time and use it, we have nobody to blame except ourselves. By well-directed efforts organized farmers can bring organized influence to bear so strongly upon any country bank in North Carolina that they can get a fair proportion of the loans which the banks make and when two or more responsible members sign a joint note it makes the note a bankable note.

* * *
I have often referred to the simplicity of coöperation in making notes to the banks. For instance, when two or more members want to borrow equal amounts of money let them sign a joint note and get the money. The banks require "personal" security, or a two-name note, and this plan complies with these requirements, and it is much better to "pool" your credits in this way than to ask some disinterested person to "stand your security," by signing a note with you when he gets no part of the loan.

* * *
At the next state Union meeting when the committee on "Order of Business for Local Unions" makes out the 1917 coöperative program it will be well to introduce a new item, to read something like this: "Are any two or more members in the market for money from local banks?" This will be especially appropriate for the



MR. GREEN

early spring meetings. It is all right to ask Congress for help, but we will get help from legislative bodies quicker if we will first organize our forces strongly, and get a square deal from the agencies that already exist. If we do not exercise intelligence and manhood enough to do this, we cannot hope to put up anything but a feeble and fruitless effort to secure radical legislation in our favor.

* * *

It is a monstrous and appalling fact that in nearly all the small towns in which there are local banks the bulk of the capital stock and deposits are loaned to time merchants, who deposit crop-lien mortgages as collateral, and these time merchants then "loan" goods to farmers at from 30 to 80 per cent interest. In several towns this year I ascertained the "time prices" on several items. For instance, the cash price of cottonseed meal was \$35 per ton. The time price was \$40 per ton, and farmers whose credit ratings were as good as any in the county were paying \$40 a ton payable in the fall—about six months from the time the account was started.

I want to emphasize the fact that I know some of these farmers personally and there was no question about their credit rating. It was simply "gilt-edge," so much so that no note was required, the claims being carried as book accounts by the merchant. Inasmuch as the accounts were to run for only six months, the five dollars premium on the cash price of the cotton seed meal represents an interest charge to the farmer of 28 per cent! The important question is: Why didn't the farmer borrow the money at the local bank, instead of the merchant, and get the service for 7 or 8 per cent instead of the 28 per cent?

Now, I am not saying that this injustice can be eliminated by the unorganized farmers, as individuals, but the organized farmers have the power, if properly directed, to get what they ask for from country banks, and save 20 per cent on transactions of this kind. And let me say in this connection that no rural credits bill that will be passed by Congress will correct the discrimination and injustice that I have referred to. It must come through intelligent organized activity among farmers themselves.

* * *

As commercial banks are now organized, however, it will require a strong fight to get much recognition, and, at best, it cannot prove to be a permanent and satisfactory solution. A better solution will be to organize our own rural credit unions, under the law which the Farmers' Union had enacted by the last Legislature. Already several of these local credit unions

have been organized in different sections of the state. Under this system agricultural capital is used for agriculture instead of turning it over to commercial banks to be used by speculators and time merchants as it is now so largely used. It is a well-known fact that a large per cent of farmers who acquire a little surplus money do not know what to do with it, so they turn it over to the commercial interests at 4 per cent interest when it should be used by other farmers at 6 per cent. Organizing credit unions is a step toward agricultural independence. Farmers will never be able to take complete control of their business until they learn how to use their own surplus capital for the benefit of agriculture. There are enough deposits from farmers in commercial banks to largely meet the needs of agriculture if it can be used in the business of agriculture. And under credit unions farmers who have a surplus will get more interest while those who are borrowers will get it for a lower rate of interest, whereas they now pay from 8 per cent up, and then have to take the pittance which commercial banks let them have after time merchants, manufacturers, and speculators have been supplied.

In taking charge of our own capital we are going that far towards taking charge of our own business, and the quicker we organize our credit unions the better it will be for our business.

RURAL CREDITS BILL INTRODUCED IN HOUSE

Control of System Would Be
in Board Appointed by
the President.

Washington, January 4.—The administration rural credits bill was introduced today in the house. It will be introduced in the senate tomorrow.

Government control of the system would be in a federal farm loan board of five appointed by the president for ten years each. Loans would be made to farmers by twelve or more federal land banks, each operating in a separate district with capital of not less than \$500,000, which would be taken by the government if not privately subscribed.

The land banks would loan to farmers through local associations of borrowers, called national farm loan associations. Every borrower would be required to take stock in the association to the amount of five per cent of his loan. A limit of 36 years would be placed on loans, and borrowers would be required to make small annual payments on principal.

Chairman Glass, of the banking committee, asked consideration of a resolution to extend for four months the time in which the joint committee on rural credits shall report on personal credits. Objections to extension deferred action for the present.

Keep Sane Over Rural Credits. A Few Facts That May Be of Aid to Farmers

Advertiser 2/3/16
Fight Shy of "Coupon" Schemes and Wait Until the Federal Land Banks Are Established and Then Be Organized in the Right Way to Get Loans on Your Land for Permanent Improvements — Saneness and Patience Necessary to the Quick Establishment of the System Next Spring

There is considerable excitement about the Rural Credits Bill, which is now a law, and the twelve Federal Land Banks that are the backbone of rural credits.

Every town on the map thinks it should have one of the banks. Towns that heretofore have shown little interest in farming and that have done very little to cooperate with the farmers are putting forward their claims. All this excitement will die down and when the Farm Loan Board, of which Mr. McAdoo is ex-officio member, gets through its investigations some of the towns are going to see things in a different light.

The Land Banks will be established in well located points in the twelve districts and most likely in cities that that have shown a real interest in the upbuilding of the farms around them. The claims of cities like Birmingham, a steel center and of Savannah, a port, are absurd on their face. The banks should be and will be established in agricultural centers and not under smokestacks or near drydocks.

Foolishness.

Also, we note that one agricultural paper in the South printing coupons and asking farmers who want loans to sign the coupons and send them in. Why such a performance as this we do not understand. The paper cannot get anybody any loans. It has no more to do with it than you or I. These coupons filled out will give the paper a lot of names on which to work for subscriptions for the paper but otherwise we cannot see their value.

Sanity Needed.

The Rural Credits System is a great plan and one that must be put into operation sanely and with patience. Filling out some publication's coupons for loans does not tend to system and patience, in our opinion. We suggest to the editor of this particular paper and to others who forget themselves that they withdraw their coupon schemes, quit trying to get publicity for themselves and try to guide the farmers sanely and wisely in this matter.

It will be several months yet before the twelve Land Bank districts are platted off and before the Land Bank centers are decided on. Then it will be some little time before the system is in good working operation.

In operation the system to some extent will do for the farmer what the federal reserve system does for the business men. The farmer will be given opportunity to secure money on his most available commodity, his land, just as the merchants and manufacturer has been enabled through the federal reserve system to have his paper based on commercial transactions find a ready market.

The new scheme has many points of resemblance to the federal reserve

system in many essential features it is entirely different. In no way will the banks created under it do commercial banking, and while it is possible that in years to come they may have funds to loan that will amount to several hundred million dollars, it is not believed probable that the system ever will have the resources of the reserve system.

Twelve Land Bank Districts

The act provided for a division of continental United States into twelve land bank district with a federal land bank in each. The work of designating these districts and selecting the centers at which the loan banks are to be located will be the first important duty of the farm land board and is expected to result in just as many bitter contests as preceded the announcement of the lines of the twelve federal reserve districts and the location of federal reserve banks. The only directly provision on the farm loan act says that land banks shall be located with particular reference to the farm loan needs of the country, so the board will have wide discretion. Many applications from cities, particularly in the northwest and southwest already have been filed in the treasury but the board will not make public its conclusions until it has traveled over the country and held hearings in many states.

Each federal land bank must have minimum subscribed capital of \$750,000 before it can start business. If within thirty days after books are opened for subscription to the stock of any of these banks individuals or corporations have not subscribed that amount the secretary of the treasury is directed to subscribe for the United States in the needed sums. Stock in the banks may pay dividends when earned, but the United States as a stockholder cannot participate with others.

Loan Association.

The banks will not except in special cases loan direct to farmers, but through the agency of national farm loan associations, which may be organized to any number in a land bank district by any ten owners or prospective owners of farm land who desire to secure loans on farm property. Applications for charters for these associations must go up to the farm land board and may be refused by it. No association will be chartered unless it is shown that signing members desire loans totaling at least \$20,000.

Must Take Stock.

In applying for membership in an association a farmer must take five per cent of the face value of the desired loan in stock of the association.

Applications for loans are to be passed upon by a loan committee of the farm loan association. Loans will be made only on first mortgages or farm property and the value of the land will be the main consideration. The land will subject to inspection by an

appraiser of the farm loan board. Loans will be made only for purchase of land, for its improvement, or for purchase of live stock, equipment, fertilizers, or to provide buildings on a farm or to liquidate indebtedness, existing when the first association is formed in the county where land is located. No loan will be made of more than \$10,000 nor less than \$100. Interest will not be charged greater than six per cent. The loan itself will be reduced through an amortization plan providing for reduction by annual or semi-annual payments on the principal. No mortgage shall run for more than forty years nor less than five and there are the necessary provisions in the law for satisfaction of overdue or amortization payment.

Farm Loan Bonds

The money to be loaned will come through the federal land banks, passed to the hands of the national farm loan association and to the farmer. The capital stock of the land banks will not give them much loaning power so congress increased that power greatly by authorizing the banks to issue farm loan bonds and sell them in the open market. The act provides that when a federal land bank has loaned \$50,000 to farmers it may issue a corresponding amount of farm-loan bonds and that the total that may be issued by any one bank on a minimum capital of \$750,000 is to be twenty times that capital. This would give each bank \$15,000,000 and the whole system \$180,000,000 to loan on first mortgages.

Rate of Interest.

Farm loan bonds are to be made attractive by payment of not more than five per cent interest and a provision that they shall be exempt from federal state or municipal taxation. They are made legal investments for trust funds. They are not to be obligations of the United States, but will have behind them the first mortgages on farm lands. These mortgages also are exempt from taxation.

WHAT NEW RURAL CREDITS MEASURE WILL DO FOR THE NATION'S FARMERS

Editor Constitution: The federal farm loan act has passed both houses of congress and is now in conference. It is not believed the differences between the two houses are irreconcilable, and those in a position to speak by authority confidently assert the bill will be shortly passed.

The differences between the two houses are not fundamental, and while there will be changes, they will be in details. It is, therefore, possible to analyze the bill now, although not yet finally enacted into law. In any event it should prove of some interest to your many readers, particularly in the rural sections, to be advised definitely relative to the fundamental provisions of the new law about which there is no difference.

A federal farm loan board at Washington is created. Its members are to hold office for nine years, appointed by the president. The board will exercise supervisory control and authority over federal land banks and over the business, along similar lines to the authority of the federal reserve board over the federal reserve banks. The board will charter federal land banks and joint stock land banks, fix the rates of interest on loans, fix general rules for appraisals, titles and charges and prescribe general rules and regulations respecting farm loan boards.

Twelve Federal Districts.

The board will divide the United States into twelve districts along state lines and establish in each district a federal land bank with its principal office located in such city within the district as the board may designate. In this particular the bill follows closely the federal reserve act.

Each federal land bank will have a capital of not less than \$750,000, divided into shares of \$5 each. Any person or corporation may subscribe thereto during ninety days. If this amount is not then subscribed the United States government subscribes the remainder. Government stock is not entitled to dividends, but has voting rights.

Each federal land bank will be managed by nine directors, three appointed by the federal farm loan board, and six elected by the national farm loan associations. The directors will hold office for three years. The directors elect a president and vice president and appoint a secretary and treasurer and define their duties. Provision is made for the retirement of the capital stock so as to finally make the institutions purely mutual and co-operative.

Farm Loan Associations.

The bill provides for the organization of national farm loan associations. Ten or more farmers desiring loans of not less than \$20,000 may form one such association with prescribed territory, and become a corporation with five directors, who elect a president, a vice president, a secretary-treasurer and a loan committee of three. The secretary-treasurer will be the active officer of these associations.

The preliminary step for the organization of these associations is specifically prescribed. Its shares have a par value of \$5 and none but borrowers on farm land mortgages can be shareholders. Each borrower is required to subscribe to stock to the extent of 5 per cent of his loan. Applications for loans will be addressed to the local national farm loan association, and the bill makes adequate and yet simple provision for local and expert appraisals. Loans will be limited to not over \$10,000 to any one person, secured by first mortgage on lands actually cultivated at an appraisal value of not exceeding 60 per cent. Improvements may be considered in ar-

valuing at appraised values. The proceeds of the loan must be applied to the purposes specified in the application.

The rate of interest cannot exceed 6 per cent, but each borrower is in addition required to pay an amount annually on the principal, so that at the end of the loan period the entire loan is paid off, both principal and interest, upon what is called "the amortization plan."

Loans may be made direct by the federal land banks, but only with the approval of the federal farm loan board. For that purpose the federal land banks may appoint designated agents at fixed rates of compensation, which are reasonable.

Joint Stock Banks.

In addition to providing exceedingly simple and workable legal machinery in the shape of the national farm loan associations for the making of loans, the bill also provides for the organization of one or more "joint stock land banks" in each district, with minimum capital of \$250,000. These institutions will be privately owned, but will be organized by, and be exclusively under, the jurisdiction and control of the federal farm loan board very much as the present national banks are organized and regulated by the comptroller of the currency and the federal reserve board.

These "joint stock land banks" are given much more liberal rights and privileges in the making of loans than the national farm loan associations, but their rates and charges are carefully fixed and they are otherwise so regulated as to be really on a parity with the latter institutions as to earning power.

To provide for future capital necessities in unlimited amounts, the bill creates a new governmental security called "farm loan bonds." These will be issued in a very ingenious and yet simple manner against the farm loan mortgages. They will yield a return to the purchaser of not over five per cent, and are exempt from taxation. All that a farmer has to do to obtain a loan, if he has the required security, will be to join the nearest farm loan association or apply to the nearest joint stock land bank.

The bill provides for proper examinations of the banks and fixes severe penalties for violation of its provisions by officers, appraisers or agents. It gives the borrower the right to pay his loan up in full after five years—a valuable right.

A Southern Measure.

It is interesting to note that this bill is distinctly of southern origin. Notable public attention was first attracted to the subject by the session of the Southern Commercial congress, at Nashville, Tenn., in 1910. This was followed by the creation in 1912 by congress of the United States rural credits commission to be appointed by the president. Senator Duncan U. Fletcher, of Florida, then and now president of the Southern Commercial congress, was made chairman. The other members were assembled under the auspices of the Southern Commercial congress.

The commission went to Europe in the spring of 1913 and made extensive study of European systems, including particularly the rural banks of France and Italy, and the wonderful systems of rural credit co-operation inaugurated in Germany under the genius of Schulze-Delitzsch and Raiffeisen. The commission duly made report to congress. Bills were promptly introduced in both houses and after much discussion, and much opposition the matter advanced to the present status.

It may be said, and even its critics concede, that the bill contains the best of the European systems where farmers have for generations enjoyed adequate facilities for the obtaining of money at very low rates. The best in the European systems has been used to create the United States system, which, while it resembles the European models in many respects, yet differs in many

others.

Adapted to Conditions.

It is believed by those best informed on the subject that the new law is admirably adapted to the conditions which obtain in our country. For example, the bill provides three organizations for the furnishing of the required financial assistance as against one under the landschaft system in Germany and Italy, and two under the rural credit system of France.

The bill is exceedingly simple and its machinery can be set in motion within a very short period after it becomes a law. The day of adequate financial relief to our farmers is, therefore, not far off. The worthy among that vast army of our citizens, possessed of lands of adequate value—and the provisions of the bill in this regard are liberal enough—will shortly be able to secure extensions of money credits on the same basis as to rates, expense, etc., accorded merchants by the commercial banks.

A century of effort by the farmers to reach this much desired and highly important goal is about to be realized. The consequences will be immediate and vast. There will many a blade of grass be made to grow in places where none is now grown, and two will appear in many a spot where only one is now to be seen. With merchants, commercial men and farmers all on a parity in the possession of adequate facilities for the obtaining in proper cases of money credits, and at the same, or, at least, a sufficiently low, rate, is generation should witness a development in the rural sections nothing short of marvelous, and far surpassing anything in the past as remarkable as that has been, insofar as reasonably cheap money for the farmers' use can accomplish that result, it is asserted with confidence by its champions that this law will achieve it.

Tax-Exempt Bonds.

The creation of a tax-exempt 5 per cent government bond—and that is what the federal farm loan bond provided by the bill virtually is—will provide all the money needed. Such a bond will find a ready sale in unlimited quantities.

Credit is due the democratic party, and President Wilson's administration particularly, for the bill when it passes. With the federal reserve act, the federal trade commission and the federal farm loan act all passed by the democratic party within the short compass of one administration, "three new feathers" will be added to the democratic rooster. They will probably make his crowing heard from Maine to Texas and from Washington to Florida.

But by whomsoever this federal farm loan act was devised and made law, it is a piece of much-needed constructive legislation of exceeding simplicity, for which fullest credit should be accorded its authors and for which they are deserving of congratulation and praise at the hands of a grateful people.

It will not bring the millennium when finally adopted, but will be a milestone, long and arduously approached, successfully passed. It is conceded on all sides that the bill will speedily be an accomplished fact.

HOLLINS N. RANDOLPH.

Atlanta, Ga., June 12.

What Other Nations Have Done for Rural

Progressive Farmer

STUDY the Federal Reserve act and the National

al banking act! Mr. Congressman, the redis-

counting features, the low interest rates allow-

ed commercial banks, etc., etc., and then see if you

can look an honest farmer in the face and tell him

that the new rural credits bill will insure as square

a deal for agriculture as the Federal Reserve act

gives commerce. And study the European rural

credits systems and see if the statement quoted on

the next page from Chairman Hill of the Rural

Credits Committee, American Commission, is not

correct. In fact, let us consider briefly what some

European nations have done:

Germany.—The "Landschaften" received subsidies from the government in starting. Now the government provides

supervision and control. Under the Landschaften the farmers in Silesia get money on land at 3½ per cent, adding 1½ to 2½ per cent a year to apply on extinguishing the debt.

France.—The Credit Foncier was subsidized by the government and given a monopoly for twenty-five years. "This Credit Foncier is simply a government-subsidized and government-controlled bank for lending money on real estate and no other land-credit institutions have ever made any marked progress in France." Interest is 4.2 per cent. Again "The Credit Agricole Mutuel is subsidized by the French Government, money obtained from the bank of France being supplied the district banks without interest, these lending to local associations upon suitable security."

England.—In 1903 England appropriated \$500,000,000 to help Irish tenants buy land, they to become owners by paying 3½ per cent a year (2½ per cent interest, ½ per cent on principal) for sixty-eight years; and the writer has seen tenants who bought by this plan. "The history of land legislation in Great Britain and Ireland is a record of direct government aid."

Russia.—Russia has gone even farther than Great Britain in extending state aid to purchasers of small farms. Through land purchasing acts 20,000,000 small holdings, to the value of over one billion dollars, were created, the government funds so advanced being payable on long time and at very low interest rates. Furthermore in 1883 the "Russian Peasants' Land Bank" was organized. Loans to the extent of 90 and even 100 per cent of the value of the land are made, repayable in from 13 to 55½ years, with interest at the rate of 4 per cent.

Austria-Hungary.—The government aided rural credit institutions in starting, but does not buy their bonds or debentures.

Switzerland.—"Switzerland has twenty-eight land-credit institutions, owned or operated by the State, whose debentures are, of course, guaranteed by the state." (Morgan: "Land Credits.")

Denmark.—Denmark, a little country no bigger than an average American congressional district, "advanced \$5,360,000 without interest to found the Mortgage Bank of the Kingdom of Denmark. This bank is designed as a central institution for the Landschaften. It buys their debentures. Denmark makes annual appropriations out of the treasury, amounting in 1909 to \$1,720,000, to be lent to small holders."

Sweden.—"The Swedish General Mortgage Bank was endowed at its founding with \$2,144,000, and in 1890 the bank was given a subsidy of \$2,040,000 in government bonds. This is a central institution to aid the ten local landowners mortgage associations in the sale of their debentures."

Egypt.—"The Agricultural Bank of Egypt is controlled by the state. The National Bank of Egypt, closely connected with the state, owns one-third of its capital stock. A 3 per cent dividend is guaranteed on the stock by the government, and when necessary to sell its bonds at a reasonable rate of interest, the government guarantees their payment."

Japan.—"Japan guaranteed a 5 per cent dividend for ten years on the stock of the Kwango Ginko, or central land-credit bank of Japan. It also gave a subsidy of \$4,980,000 to the forty-six local or district land banks, called the Noko Ginko."

Other countries.—Furthermore, quoting Morgan's "Land Credits": "South Australia, Western Australia, New South Wales, Victoria, Queensland, and New Zealand through state land-credit banks or direct appropriations make loans to farmers."

Moreover, it is true that in the Philippine Islands the United States Government itself has subscribed the stock of the Philippine Agricultural Bank (\$500,000) and "among the lendable funds of this bank are the postal savings bank of the country." If Uncle Sam doesn't listen therefore when the farmers say, "Do for us what Europe has done for her farmers," can he afford not to listen when they say, "Treat us, your loyal tax-payers, as well as you treat the Filipino farmers, your rebellious tax-eaters."

The Rural Credits Law in a Nutshell

THE rural credits law in brief provides—

- (1) That you may borrow one-half the value of your land; 10/21/16.
- (2) That you may have from five to forty years to pay back the money, paying it back as fast as you please after five years;
- (3) That the interest rate can't possibly exceed 6 per cent and will almost certainly be less;
- (4) That each borrower buys a \$5 share in the National farm loan association for each \$100 he borrows, selling this back again when he pays up;
- (5) That all other liability is limited to 5 per cent of the amount a man borrows, there being no truth in the statement that he must assume general joint liability with other borrowers.

If this plan interests you, sign the blank below and The Progressive Farmer will have further free information sent you.

THE RURAL CREDITS LAW.

An interesting and careful summary of the new rural credits measure which will become law following the anticipated early agreement between conference committees of house and senate, made by Hollins N. Randolph, of Atlanta, well-known attorney for the federal reserve bank of this district, is presented in The Constitution today.

This synopsis of the measure, based upon a close study of the new law, will be read with interest by those who have been watching the progress of rural credits legislation and who have hoped for that relief through it which will strengthen the position of the farm owner throughout the country.

There have been two sides to the question, growing out of the measure just passed by both houses of congress, and now awaiting conference action for its completion. Authors of the measure, members of congress who supported it and publicists who advocated it contend that it will solve the problem of rural credits in even greater degree than solution has yet been reached in the European countries where similar laws have been in operation for many years.

On the other hand, there are those who have insisted that the measure was too complicated and cumbersome, and that it would not prove easily workable. As the result of his own study, Mr. Randolph reaches the conclusion that the measure is, after all, a comparatively simple one, and that its actual and practical operation will follow almost immediately upon its final passage and approval by the president.

With three systems provided under which loans may be secured on farm lands at a rate of interest not to exceed 6 per cent, upon 60 per cent of the value of the property, the loans to be repaid, principal and interest, under the "amortization plan," that

is, in annual installments covering the loan period, apparently an admirable working basis has been secured which it remains for actual practice to develop.

It is well to suggest here that, as Atlanta is the recognized business center of the entire southeast, the new federal land bank for this district should be located in this city. The presence here of the district federal reserve bank makes it even more important that the new institution to be established under the rural credits act should be placed in Atlanta where the two institutions will be of material co-operative assistance, one to the other.

The farm loan associations will, of course, develop in various communities where circumstances call for them; and the joint stock land banks may be established at such points in the district as occasion calls for.

If the new law fulfills the splendid predictions that are made for it, in bringing about vast constructive development in the rural sections, it will be another magnificent monument to democratic effort, and, possibly, the greatest yet set up.

Real Rural Credits Wanted to Help Farmers Market Crops

Editor Constitution: The farmers of Georgia and of the entire nation need immensely a system of real rural credits, something which will be of benefit to the tenant farmers, and which, if worked out on lines similar to those of some of the countries of Europe, will automatically change, within a very few years, the most dependent citizens of this country into independent, prosperous citizens. Both the democrats and republicans realize the absolute necessity for such a system, and will, no doubt, promise it in their national platforms of 1916.

However, there is one great need for which it is not necessary to wait for national legislation, the result of which would mean untold millions of dollars yearly to the farmers of this state.

What I have waited for for some time is to see some leader in political affairs champion a state marketing bureau, the duty of which bureau will be to handle the produce of this state in such a way that a producer can afford to offer for sale the thousands of dollars worth of farm products which are now wasted on account of inadequate marketing facilities.

Let the bureau make contracts with the various produce brokers to handle Georgia's produce at regular market prices, and so as to make those contracts binding, have these brokers give an indemnity bond, forfeitable when they fail to comply with their end of the contract.

Let each farmer of Georgia consign his produce, no matter how small the amount, to the produce bureau, or, if it seems advisable, have a branch, say in each congressional district, so that freight charges will not eat up the profit; concentrate the produce at a given point, and from there ship to the big markets in carload lots, which will immensely reduce the cost of transportation.

The state legislature can easily work out

a plan of this kind which will enable Georgia's producers to dispose of, for ready cash, anything from one dozen eggs to a car of potatoes.

All farmers have more or less surplus produce which, if they could only get to market, they could easily sell, but often not having enough to go into the markets with under the present system, let it go to waste.

With a real businesslike bureau to handle these little things for them, and a bond to insure them that they will receive market value for their goods, every farmer in Georgia can and will sell from \$50 to \$100 per year of good, staple produce which now goes to waste.

If my idea of this government is correct, this government is supposed to be run for the benefit of the people who dwell therein, so why not this state adopt this plan which will, at a small estimate, save the farmers of this state \$25,000,000 yearly?

Speak up on this proposition, you patriotic and near-patriotic politicians of this, the Empire State of the South, and do this for the men who put you in office, and if, after the farmers have been shown, and they will be shown, the absolute need and consistency of such a system, the professional politicians fail to give it to them, they will rise as a man and put into office not town dukes, professional politicians or "near"-scholars, but plain Georgia Crackers, who will keep a promise when made, and who will pass an occasional law which will be of benefit to the masses.

WILL H. STANFORD.

Valdosta, Ga., March 11, 1916.

PRACTICAL RURAL CREDITS.

Practical rural credits in the United States is no new or untried principle. In a recent address delivered before the National Association of Life Insurance Presidents held in New York city, President Jesse R. Clark, of the Union Central Life Insurance Company of Cincinnati, made this statement:

I happen to know of an institution which has assisted 86,523 farmers by loaning them \$163,479,728, secured by mortgages on 12,952,471 acres of land. Of this number 49,992 farmers have repaid their loans, largely "bit by bit," under partial payment privileges, and have secured the release from mortgages of 7,676,261 acres.

The institution referred to is the great company of which Mr. Clark is at the head

Instead of investing its money in high-priced bonds with low interest rate, as do so many institutions of this class, the Union Central Life Insurance company has, for the last twenty years, been a purchaser of farm mortgages on a basis of 6 and 7 per cent, and during all that time it has not lost a single dollar!

This "amortization" plan of farm loan under which this company has prospered, receiving far better returns and suffering no losses at all, has proven in its case far more successful than the bond investment system followed by so many other companies, for bonds bought at their value are subject to market fluctuation and occasionally involve some loss.

It is important that the plan is profitable or it could not be continued; but it is more important that it offers a method of providing the farmer with cheap money where he has been in the habit of paying 10 and 12 per cent, and even higher rates, with the privilege of paying it back in small monthly installments extending over a long period of years. Each payment he makes strengthens the security the company holds.

The only logical buyer of the amortized loan, as Mr. Clark points out, is the life insurance company; but that the life insurance company can handle it satisfactorily and successfully, and at the same time supply the farmer needed money at a comparatively low rate, to be returned in monthly installments, has been demonstrated beyond all question in the Union Central's case.

This company is now making loans in many states upon this basis, though it has not yet reached Georgia.

It is true that both the security and the borrower are carefully scanned and investigated. Not only must there be good title and ample security, but the reputation and character of the borrower must be such that he can be classed as a "safe risk."

The main point, however, is that rural credit is today an accomplished fact, on a small scale as yet, perhaps, but here nevertheless and steadily growing. For the Union Central is just one of a number of companies which have successfully and satisfactorily adopted this system.

What the life insurance company has done the government of the United States can certainly do. And it need not go globe-trotting to Europe for methods and systems; the successful example is before it right here at home.

Under similar system the government can devise a rural credit plan which will meet every demand for a safety that is unexcelled, not even perhaps by its own bonds, and certainly little short of the actual cash in hand itself.

Why shouldn't this greatly simplify the rural credits problem? It must do so. Properly systematized to meet government conditions and the different circumstances which may arise in dealings between government and citizen, it at least approaches what the farmers want and what they are entitled to.

It is what the democratic congress should not hesitate in giving them; for if it don't do it, it may be predicted as a certainty the republicans will.

The Farm Loan Primer---Questions and Correct Answers on Our Rural Credits

The members of the Federal Farm Loan Board, appointed by the President of the United States to select sites for the twelve Federal Land Banks and to put our Rural Credits System into operation, have just made a trip through the Central South. Many questions have been asked these men about the workings of the great new system that gives the farmers money at six per cent for long terms. They have replied to these questions fully and to the point.

Now here we give many questions asked the Board which cover the system from A. to Z. And here are the answers to the questions. The answers are furnished by the Farm Loan Board itself and so are absolutely correct. Read the questions, marked A and answers marked A and keep both with you so that you will be able to answer any questions asked about the Rural Credits System soon to go into operation.

Questions and Answers.

Q. What are the general purposes of the Federal Farm Loan Act?

A. To lower and equalize interest rates on first-mortgage farm loans; to provide longer term loans with the privilege of repayment in installments through a long or short period of years; to assemble the farm credits of the nation to be used as security for money to be employed in farm development; to stimulate cooperative action among farmers; to check land monopoly by making it easier for tenants to get land; and to provide safe and sound long-term investments for the thrifty.

Q. When was this act made a law?

A. It was passed by Congress June 28, 1916, and was signed by President Woodrow Wilson July 17, 1916, and became a law immediately.

Q. What, briefly, is the machinery for the application of the Farm Loan Act?

A. There are three main divisions, as follows:

1. The Federal Farm Loan Board, of five members, named by the President.
2. The 12 Federal land banks scattered throughout the nation.
3. The many national farm loan associations, each made up of 10 or more farmers who borrow from the Federal land banks.

Q. What are the general duties of the Federal Farm Loan Board and how is it organized?

A. This board establishes the 12 Federal land bank districts, establishes the banks, names the first set of bank directors, supervises the bond issues of all the banks, and is responsible for the general conduct of the entire Federal Farm Loan system. One member is named for eight years, one for six, one for four, and one for two years. In the future members will be named for eight-year terms, one new member being named every two years. The secretary of the treasury is the fifth member of the board and is its chairman ex-officio.

Q. What determines the location of the 12 Federal land banks?

A. The Federal Farm Loan Board locates these banks with a view to serving most advantageously the farm-loan needs of the nation.

Q. What is the capital stock of the 12 Federal land banks?

A. Each bank starts with a capital of \$750,000, but it gets additional money for lending by automatic increases in its capital stock and by the sale of its bonds.

Q. Who may own stock in the Federal banks?

A. It is open for general subscription. The stock is placed on sale for 30 days, and if the public does not buy it the government takes it at the end of that time.

Q. Has it voting power?

A. Only the stock held by the government and by the national farm loan associations has voting power. Stock held by individuals has no voting power.

Q. Will this stock pay dividends?

A. If the banks make a profit they will pay dividends on all stock except that held by the government.

Q. Will you explain how after a bank lends its original capital it gets additional money to lend to farmers?

A. When a bank has loaned \$50,000 and taken \$50,000 of first mortgages, it may then issue \$50,000 of bonds against these mortgages to produce another \$50,000 to lend to farmers. This process is repeated over and over until the capital of the bank is turned over twenty times. If the capital of the bank were limited to \$750,000, the bank would have a loaning capacity of \$15,000,000. But the law provides for the automatic increase of the capital of the bank because each national farm loan association is required to buy stock in the bank equal to 5 per cent of its loans. Since the bank is permitted to lend twenty times its capital, it will be observed that as \$1,000 is added to the capital, the loaning capacity is increased \$20,000 and the ratio between the capital and the loaning capacity remains always the same, and there is no limit to the capacity of the bank to serve the needs of the farmer borrower, so long as it can sell its bonds.

Q. What becomes of the land bank stock owned by individuals and the government?

A. The government stock is gradually paid off and retired as the subscriptions by farm loan associations increase. This essentially a farmers' banking system and the law contemplates that the farmers shall eventually own and control it.

Q. What becomes of a farmer's stock when he pays off his loan?

A. He may turn it in for cash at par or he may turn it over at its par value as the last payment on his loan.

Q. Who governs directly each of these Federal land banks?

A. When a bank is first established

the Federal Farm Loan Board names five directors from its district to run it temporarily. When it has loaned money so that farm loan associations subscribe to \$100,000 of its stock, it is to have nine directors—six to be elected by the national farm loan associations of its district, and three to be named by the Federal Farm Loan Board. Directors are elected for three-year terms. The directors choose the bank officers.

Q. How do farmers go about it to borrow from the Federal land banks?

A. By applying for membership in the nearest national farm loan association.

Q. What is a farmer to do if there is no national farm loan association within easy reach?

A. He should find 10 or more farmers or prospective farmers in his community who wish to borrow, and with them form a national farm loan association.

Q. How may a national farm loan association be formed?

A. These 10 or more farmers should make application in writing to the Federal land bank for a charter to do business. The Federal Farm Loan board in Washington will furnish blanks for that purpose. The ten or more farmers must sign articles of association, swear to them, and forward them to the Federal land bank. The Federal land bank will then send its appraiser to inspect the security, and if satisfactory the loans will be authorized when the charter is granted to the association. The bank then advances the money through the secretary-treasurer of the local association who is a bonded officer. In the application signed by borrowers each must indicate how much money he desires and must list the value of the land to be used as security. Full instructions for organization are contained in circulars 1 and 2, which will be furnished on application.

Q. Who passes on the value of the security?

A. The local national farm loan association has a loan committee of three members, who must agree unanimously upon the valuations. Then after they have made their written report it must be confirmed by the appraiser of the Federal land bank.

Q. What is the maximum and minimum amount of loans?

A. No one farmer may borrow more than \$10,000 nor less than \$100. No national farm loan association may start with less than \$20,000 in loans.

Q. May any but farmers join the national farm loan associations?

A. Yes; prospective farmers who are about to purchase land for their own use may also join. They must indicate in their applications what land they expect to come into possession of.

Q. What is the object of limiting the size of the loan?

A. The government wants to benefit

the actual farmer not the landlord or the speculator. Limiting the size of the loans to \$10,000 prevents the use of this act for the purposes of land monopoly.

Q. What per centage of the value of the security may be borrowed?

A. Up to 50 per cent of the value of the land and 20 per cent of the value of the permanent insured improvements. That is, if your land is appraised at \$15,000, you would be entitled to borrow \$7,500; and if your improvements were worth \$5,000, you could borrow \$1,000 more or \$8,500 in all.

Q. Will it cost anything to have titles examined?

A. No.

Q. Will the borrower pay for abstracts of title?

A. Yes.

Q. Could the local association employ a man to provide abstracts and thus perhaps save expenses?

A. Yes; that is one of the advantages of cooperation.

Q. What is meant by "amortization"?

A. Amortization is the term applied to the process of reducing an indebtedness by installment payments through a period of years.

Q. Are all loans under the Federal Farm Loan system, made on this plan?

A. Yes.

Q. How long may these loans run?

A. Anywhere from 5 to 40 years, at the option of the borrower.

Q. And at what rate of interest?

A. The rate of interest on loans will be determined by the rate of interest at which the bonds will sell. To illustrate: If the bonds sell at 4 per cent, the rate on money loaned to farmers can not be over 5 per cent, because the law provides that there will be a margin of not more than 1 per cent. between the prices of the bonds and the rate of interest on money loaned. This margin is to pay the expenses of the bank. If these expenses are less than 1 per cent, the rate of interest will be reduced by just that amount. In no event will the interest rate to farmers be more than 6 per cent.

Q. How are interest and amortization payments to be made?

A. The secretary-treasurer of the local farm loan association is required to collect the payments from the borrows in his association and remit them to the Federal land bank. Both interest and principal are to be lumped into equal annual or semiannual installments throughout the entire period of the loan.

Q. May a borrower pay off his loan before maturity?

A. He may pay it all or in part on any interest-paying date after the mortgage has run five years.

Q. You say a farmer who borrows is required to buy stock of his local association equal to 5 per cent of his loan. What becomes of this stock?

A. It is held by the local association as collateral security until the farmer pays off his debt. Then the money is returned to him, and the

farmer may use it as the last payment of his debt.

Q. What does the local association do with the money the borrower pays for his stock?

A. It buys stock of the Federal land bank, so as to increase the land banks capital so that it can make more loans.

Q. Why does the local association hold the borrower's stock?

A. The stock purchased by each borrower in that association is a part of the assets of the local association and is to be used to meet defaults in case some borrower defaults and his land does not satisfy the face of the mortgage.

Q. Is there much likelihood that this stock will ever have to be used for that purpose?

A. No; because the loans do not exceed 50 per cent of the appraised value of the land.

Q. Is there any other possible liability on the part of the borrower?

A. Yes. In case of a very severe loss experienced by the local loan association each borrower is liable for another 5 per cent. This is the double-liability feature which has always been the rule in national bank stock ownership.

Q. Then the total responsibility of the borrower for the debts of other members of the association is only 10 per cent of the face of his loan?

A. Yes.

Q. And what is the likelihood that this 10 per cent might ever be called for?

A. It is very remote. If loans are conservatively made no loss could reasonably occur that would call for either of these 5 per cent liabilities. This illustrates the necessity for careful management of the local loan association and demonstrates one of the reasons for their existence—the creation of a body for the exclusion of bad risks and for the conservative valuation of lands.

Q. Then it is not true, as many have supposed, that one member of a national farm loan association is placed under unlimited liability for the debts of his associates?

A. No. He is liable only to the extent shown above, the total possible liability being 10 per cent of his loan, and that to be called upon only when the sale of the mortgaged land fails to meet the debt against it.

Q. Suppose a borrower fails to meet his payments; what happens?

A. If, in the judgment of the local loan association, the default was unavoidable, the local association may carry the borrower, but the borrower is required to pay 8 per cent interest on overdue payments while he is in arrears. The local association may borrow money from the Federal land bank to temporarily meet the defaulted payments.

Q. So the local association is responsible for interest and amortization payments from its members?

A. Yes. It is the duty of the secretary-treasurer of the local association to see that these payments are promptly made. It is also his duty to see that each member keeps his

taxes paid, to see that insurance policies are kept renewed, and to look after everything that tends to the welfare of the local association. He is custodian of the records and securities of the local association; he makes quarterly reports to the Federal land banks as to the condition of the local association. In fact, he is the agent for the local association in its relations with the Federal land bank.

Q. Does he get paid for doing this?
A. His compensation is fixed by the directors of the local association. All other officers of the local association serve without salary unless the Federal Farm Loan Board approves the payment of salaries. The secretary-treasurer may serve without salary if he will.

Q. Whence comes the money to pay the secretary-treasurer's salary?
A. The national farm loan association has two sources of revenue. It gets dividends from the Federal land bank on its land-bank stock and is also permitted to collect out of the interest payments one-eighth of 1 per cent on the unpaid balances of its members' loans, in anticipation of dividends.

Q. What determines the voting strength of each member of the local association?
A. Each member has one vote for each \$5 share of stock. A man who had borrowed \$1,000 would necessarily have \$50 worth of stock, or 10 votes. But no one stockholder may have more than 20 votes.

Q. May any but borrowers belong to these local loan associations?
A. No; membership is determined by the ownership of stock, and only borrowers are stockholders.

Q. Who gets the dividends on this stock while it is held as collateral security by the local loan association?
A. The borrower, except that part used to pay the expenses of the local loan association.

Q. May a local association increase its membership after it is organized and in operation?
A. Certainly. It may admit any borrower who subscribes to stock equal to 5 per cent of his loan. He is admitted only by a two-thirds vote of the directors of the association.

Q. Is there any limit to the number that may be taken in?
A. No.

Q. Does the act specify how the money borrowed shall be expended?
A. Yes; the money may be spent only for the purchase of land, for the purchase of additional land, for the payment of a mortgage or debt already existing, for the purchase of live stock, or for any kind of productive improvements, such as fertilizer, needed buildings, draining, etc.

Q. May real estate speculators borrow to buy land?
A. None but actual farmers or prospective farmers may borrow.

Q. May an absentee landlord borrow on his land?
A. No.

Q. What is the object of those limitations?
A. It is the policy of the law to

benefit only the actual farmer, and especially the farmer of small or medium sized operations who is most in need of credit facilities.

Q. Will the interest rate to farmers be the same in every Federal land bank district?
A. Probably about the same.

Q. How can this be true when each Federal land bank issues its bonds separately?
A. Because the bonds of each bank are guaranteed by every other bank and are therefore equally secure.

Q. Suppose the interest rate is lowered after the banks are in operation, will the early borrowers be forced to continue at the high rate?
A. No. They may reborrow after five years to pay off their first mortgages.

Q. Suppose I own a farm worth only \$20 an acre because it is marshy. Suppose I underdrain it and make it worth \$40 an acre. May I double my interest payments one-eighth of 1 per cent on the unpaid balances of its members' loans, in anticipation of dividends you may double the loan.

Q. Suppose a prospective land buyer can not raise 50 per cent of the value of the land he wants to purchase, would he be permitted to execute a second mortgage to come due while the amortized loan was being paid off?
A. Yes. With a long-time amortized loan it ought to be easy to get a second mortgage, because the first mortgage would be gradually reduced every year and would not fall due for a long time.

Q. How can I get the benefits of this system if I live out in a remote section where it is impossible to get 10 or more to form an association?
A. If no local association is formed in your section after the law has been in operation a year, the Federal land bank is empowered to appoint as its agent in your territory any bank or trust company or mortgage company organized under State charter. This bank or company may make the loan for you through the Federal Farm Loan system, providing you subscribe to the stock of the Federal land bank to the amount of 5 per cent of the face of your loan. The bank or company acts as agent and guarantees your loan. For so doing it is allowed a commission of one-half per cent per annum on the unpaid balance of the loan.

Q. I have read something about joint stock land banks which may be organized under this system. Please tell me about them.

A. The act provides that private individuals may organize joint stock land banks, with capital stock of at least \$250,000 each, and consisting of not less than 10 stockholders. One-half of the capital stock must be paid up when the bank starts business, and the other half is subject to call. The joint stock land bank has the right to issue bonds after its capital is paid up, just as the Federal land banks do, and it may make loans at a rate 1 per cent above the rate at which its last issue of its bonds was sold. Joint stock land banks are not permitted to charge over 6 per cent interest.

Q. May a joint stock land bank take a second mortgage?
A. Nothing but a first mortgage.

Q. Does it operate under the amortization plan?
A. Yes.

Q. Do the Federal land banks guarantee the bonds of the joint stock land banks?
A. No.

Q. Does the Federal Farm Loan Board supervise the operation of joint stock land banks?
A. Yes. These joint stock land banks are private institutions, but they are supervised and inspected by the government.

Q. Then I am given to understand that the most important unit of the entire banking system is the local cooperative loan association, organized by 10 or more farmers.
A. Yes; it is the door through which the farmer borrower enters into the benefits of the system. It is the cooperative agency which gives the machinery for borrowing and investing, for voting, and for protection against loss. It is the foundation stone of the whole system.

Q. Then, to get the full benefit of this system, it is to the interest of the farmers to organize into these groups as quickly as possible?
A. Yes; they should organize at once, so they will be ready to get their charters as soon as the Federal land banks are located.

Q. May these Federal land banks accept deposits or do a general banking business?
A. No; but the local loan associations may accept small savings accounts and pay 4 per cent interest thereon, and this money must be forwarded to the Federal Land Bank within six days. When one's savings account reaches \$25 he may exchange it for a \$25 Federal land bank bond.

Q. What is the object of this feature of the act?
A. To encourage thrift among the people and make saving money easy and convenient for farmers and their families.

Questions of Investors
Q. You have spoken entirely from the point of view of the former borrower. Suppose I have money to invest, how does this system interest me?
A. The bonds of the Federal land banks ought to be a very attractive investment for you.

Q. Why?
A. Because they are secure, and because they are free from all forms of taxation.

Q. Why are they secure?
A. Because they are secured by mortgages against farms, the appraised valuation of which is twice as great as the obligation against it.

Q. Is that all the security there is?
A. No. The assets of all the 12 Federal land banks are behind the bonds of all the banks.

Q. And is that all?
A. No; they are secured also by the 5 per cent stock owned by each farmer-borrower and held as collateral security by the local loan associations.

Q. Is that all the security?
A. If that is not sufficient to meet the bonds, there is the additional 5 per cent liability against each farmer-

Q. So, as a matter of fact, the security back of the bonds is twice their face value plus the 10 per cent liability of stockholders, plus the resources of the 12 Federal land banks?
A. Yes; and with the further assurance that the wide distribution of the security, so unaffected by local conditions in any part of the nation, will contribute to the value and stability of the security and make losses almost an impossibility.

Q. You say the bonds are free of all forms of taxation. Does that include income tax and all forms of state and municipal tax of every kind and character?
A. Yes.
Q. And is the income of all the bonds also free of taxation?
A. Yes.

Q. Does the government guarantee these bonds?
A. No; but they are issued under the supervision of the government and cannot be issued until government authorities have passed upon the securities and satisfied themselves that each dollar of bonds issued is secured by at least \$2 worth of land, and each bond will contain on its face a certificate of its regularity signed by the Federal Farm Loan Commissioner, a government official.

Q. In what denominations are these bonds issued?
A. In \$25, \$50, \$100, \$500, and \$1,000.

Q. Are they protected against counterfeiting?
A. They will be printed and engraved by the government bureau of printing and engraving the same as money is printed and will be as carefully protected from counterfeiting as money is protected.

Q. Will the bonds of all the banks sell at the same rate of interest?
A. Probably, because they have equal security.

Q. Must a bank get authority from the Federal Farm Loan Board to issue bonds?
A. Yes; and it may issue them only after it has taken in first mortgages to secure them.

Q. Can you tell at what rate of interest these bonds will sell?
A. Not yet. The price will depend upon supply and demand. The price will be just as low as possible so as to dispose of just enough of the bonds to keep the bank supplied with money to meet the demands of farmers.

Amortization Table

The following table shows the payments required annually to wipe out interest and principal on a \$1,000 loan in from 10 to 40 years at 5 per cent, 5 1-2 per cent, and 6 per cent interest.

Term of years	5 per cent		5 1-2 per cent		6 per cent	
	5 per ct.	5 1-2 per ct.	5 per ct.	5 1-2 per ct.	6 per ct.	6 per ct.
10	\$129.50	\$132.67	\$135.87	\$139.04	\$142.21	\$145.38
15	96.34	99.62	102.96	106.14	109.32	112.50
20	80.24	83.68	87.18	90.46	93.74	97.02
25	58.28	62.32	66.46	69.74	73.02	76.30

What the Rural Credits Bill Provides

THE Youth's Companion, one of the fairest and most reliable publications in America, gives the following brief outline of the rural credits bill now before Congress and which will probably pass at this session:

"1. The bill provides for a farm-loan board, in some respects similar to the Federal Reserve Board. Under its supervision twelve land banks are to be organized, one in each of twelve districts throughout the country; and each bank is to have a capital of not less than five hundred thousand dollars.

"2. These land banks are to make the loans, receive and deposit with a registrar the mortgages that secure them, and issue bonds against the mortgages.

"3. The loans to the farmer are made through local loan associations. The associations are made up of ten or more persons who desire to borrow. They must approve the application for a loan before it will be granted by the land bank, and accept a certain liability, either limited or unlimited, for its payment.

"4. The local associations must become stockholders in the land banks to the extent of 5 per cent of the loans made to their members, who in turn must hold at least one share each in their local association.

"5. The loans that the local associations thus approve are subject to the valuation of Government appraisers, and cannot be greater than 50 per cent of the value of the mortgaged property.

"6. Loans may run for a period of from five to thirty-six years, and are subject to amortization—that is, a part of the principal is paid with every semi-annual payment of interest, so that by the time the note matures the debt is extinguished.

"7. The loans can be made only for some specific productive purpose, like the purchase of a farm, stocking it with cattle or tools, or the advantageous refunding of existing indebtedness.

"8. The bonds issued against the mortgages are expected to bear a low rate of interest, 1 per cent lower than the mortgages; but it is believed that they will attract investors because of their security, their wide marketability and their freedom from taxation, keeping the rate of interest as low as practicable—it is hoped as low as 5 per cent."

The "A. B. C." of Farm Loan Banks

Showing Operation of the System

By John Corrigan, Jr.

Washington, November 18.—(Special).—The question most frequently asked of the federal farm loan board, is how farmers may secure the benefits of the farm loan act recently passed by congress.

The purpose of the law seems to be well-understood; namely, to give the nation's farmers the benefits of cheaper money to buy land and improve it. That they are entitled to this help to improve their condition, to become farm-owners instead of farm-renters, and to make the farm home more comfortable and attractive, has long been recognized. It remained, however, for the recent democratic congress, under the able leadership of President Wilson, to provide the means.

Now that safe, dependable and efficient machinery has been created, the next problem is to install and utilize it. The Constitution's correspondent will undertake to outline briefly and concisely the approved plan of procedure.

How to Form Farm Loan Associations.

Any group of ten farmers living in any locality in the United States may come together and form a farm loan association. That is the least number the law allows. More members would be better, but ten is enough. These ten men, we will presume, are farm owners. They live in the same county and unite for the purpose of securing loans of from \$100 to \$10,000 at 6 per cent or less, on mortgages to run from 5 to 40 years. None but farmers are eligible for membership.

The word having been passed around that a farm loan association is to be formed, those who wish to join meet at some designated place, such as a school house, church, public hall or at some house conveniently located for all. The meeting discusses the subject that brings them together and appoints a committee to draw articles of association. These articles should explain the objects of the association, and the territory within which it proposes to do business. These articles may follow a prescribed form which will be furnished by the local land bank in that community. They may be modified to suit the needs of that particular locality or body of farmers, but must not contain anything that violates the letter or spirit of the law. Each farmer member signs these articles. A copy is then sent to the district federal land bank (these to be designated later) and filed for future reference. All requests for loans must be passed upon by three members of the association. After this committee has examined the lands and appraised their value, they must sign a formal report. **The report must be unanimous, or it will not be considered.** The lands and farms should be described and the value of those upon which loans are desired should be stated.

It is very important that a fair valuation be put upon the property, neither too high nor too low. This appraisal is not binding

upon the land banks. If too high it may be rejected later upon the report of the farm land banks appraiser. Should the two reports coincide, it will improve the standing and credit of the local association and show that it is composed of fair and intelligent men.

Affidavits Must Accompany Reports.

An affidavit must be sent to the farm land bank with the articles of association, together with list of the proposed members, and the report of the loan committee. This affidavit must be signed and acknowledged by the members, and by the secretary-treasurer of the association. It should set forth that each subscriber is the owner of farm land, or is about to become the owner of a farm. A person who is not actually the owner of a farm but seeks to become such owner, may join the association. The affidavit should further set forth that the aggregate of the loans sought is at least \$20,000.

Upon the receipt and approval of this affidavit and the accompanying articles of incorporation and list of members, a charter is granted by the land bank to the loan association. New members may be admitted later in any number by complying with the law. But at least ten members who wish to borrow \$20,000 in the aggregate is required to organize.

Members buy shares in the association to the extent of \$5 for each \$100 of the amount of their loans. A farmer borrowing \$1,000 must subscribe for ten shares of stock, which will cost him \$50. The stock may be paid for in cash or included in the amount of the loan.

The loan which each member is entitled to make is limited to one-half the value of the land on which he borrows, and one-fifth the value of permanent improvements thereon. The shares of stock thus purchased by members are held as security by the association. If the association prospers, it depends on this stock must be paid to the members. When the debt of a member is paid his stock is cancelled, and its value returned to him. This payment for stock automatically removes the farmer from the association. His land is no longer subject to any of the association. So long as he is a member each farmer is liable for the debt of the association in an amount equal to the value of his stock. A member who shares would, in case of the failure of the association, be liable for \$5 more.

The money paid into local farm associations for stock is turned over to the farm land bank to buy stock in it. Thus an association of ten members wishing to borrow \$20,000, would purchase shares of stock, or \$1,000 worth of stock, if the money paid into the account of that loan application is refunded.

If the loans are approved, the treasurer would pay over to the association for a \$500 loan, the sum of \$250, deducting the price of his five shares of stock. To the farmer seeking a loan would pay \$950, deducting the shares of stock.

The stock becomes temporary property of the association, and stock ownership the association ultimately become owners of the land banks.

Instructions for the formation of loan associations issued by the federal farm loan board contain this caution:

"Now, let the farmer members understand this, that the association and not they are

the owners of the stock in the federal land bank, and this plan is adopted that the associations may ultimately become the sole owners of the federal land banks. This stock is held by the land bank as part security for the loans granted to the association. This plan makes the borrowers indirectly part owners of the land banks, with the government, from the beginning and through these co-operative organizations provides the method whereby they ultimately become the exclusive owners.

"The profits of the land banks go to the associations. The stock held by the government draws no dividends, but earnings will be divided on the stock owned by the association. Thus all profits of the land banks, after the government has withdrawn its holdings of stock, will go to the associations who will ultimately become the owners of all the federal land banks in the United States. The law provides for the gradual withdrawal of government holdings in the land banks, leaving the whole field open to the farmers themselves through the national farm loan associations. The importance of organizing these borrowers, therefore, could not be unduly emphasized."

Election of Officers.

Each local association must perfect a temporary organization and elect a board of directors. A loan committee, and a secretary-treasurer. The board of directors shall consist of not less than five (5) members, and the loan committee shall consist of three members. The board of directors elects a president, vice president, loan committee and secretary-treasurer. All but the last-named officer must be members of the association and residents of the district.

Limitation on Use of Loans.

The theory of the law is that loans are to be made for the purchase of land or for its permanent improvement. A farmer who already has a mortgage on his farm must pay off this lien first. Any surplus left may be applied to the purchase of fertilizers, or live stock, the construction of new barns or other buildings which will permanently improve the farm's value. A farmer who has no mortgage on his farm, and desires to borrow money for improving it, may borrow the money for any of the purposes indicated by giving a first mortgage.

The secretary-treasurer, who need not be a member of the association, handles all its work, keeps the books and accounts, secures the loans from the land banks and pays them over to the borrowers; handles the correspondence, and sees that each farmer pays the required installments on his loan every six months or once a year.

If all the preliminary work of organizing local loan associations is done in Georgia now, no time will be lost in beginning business when the farm land banks are located and organized.

Establishing Land Banks.

These farm loan associations are the foundation of the system. We will now see how the rest of the structure is built up. The federal farm loan board is still engaged in the task of establishing twelve land bank districts and fixing upon the location of a bank for each district. The work is nearly completed and the result should be announced within a few weeks.

Each of the twelve banks when established must start with a capital of \$750,000, which is to be increased by the further sale of stock and the issue of bonds. Such stock as is not taken within thirty days after the subscription books are opened will be taken by the government. The government's stock has the voting power, but does not participate in the dividends.

The banks increase their original capital in the following manner: After loaning \$50,000 and taking \$50,000 of first mortgages, it issues its bonds for \$50,000 based on these mortgages. Thus it has another \$50,000 to loan. It is not to be supposed that these gilt edge securities will sell below par. Each bank is permitted to loan twenty times its capital. As new loan associations are formed, this capital is automatically increased. Thus there is no limit to the bank's ability to serve the needs of the farmer so long as it can sell its bonds.

On learning recently that promoters were engaged in selling stock in land banks, the federal farm loan board ruled that no character will be granted any land bank which

charges any expense for promotion. It was also decided to defer the issue of charters to joint stock land banks until the federal land banks are organized. The words "joint stock land bank" shall appear in the name of each institution and no other word except such as are necessary to distinguish it from other banks operating in the same territory.

When a farm land bank is organized, the federal farm loan board names five directors to run it temporarily. When farm loan associations have subscribed to \$100,000 of its stock, permanent organization may be perfected. Of the nine directors of the land bank, six are to be elected by the farm loan association of the district, three are to be appointed by the federal farm loan board. Thus although the farm land banks are private institutions, they are supervised and inspected by the federal farm loan board.

It is believed the bonds of these institutions will always have a ready sale, since the following security is behind them:

1. Two dollars' worth of land for each one dollar of bonds.
2. The combined assets of all the farm loan banks.
3. The 5 per cent of stock held by the local loan associations.

These bonds are not subject to taxation, and are issued under the supervision of the federal government and after the security has been passed upon and approved by a government official, bonds will be issued in denominations of \$25, \$50, \$100, \$500 and \$1,000. The same care will be taken in printing these bonds and safeguarding them from counterfeiting as is now taken by the government in protecting the nation's currency. The work will be done by the government bureau of engraving and printing.

How Farmers May Escape Debt.

The following table has been worked out by the federal farm loan board showing the annual payments which will be required to wipe out principal and interest of a loan of \$1,000 in from 10 to 40 years at varying rates of interest, 5 per cent, 5½ per cent and 6 per cent. The advantages of the system to the farmer who is now paying 6 per cent interest or more without ever reducing the principal of his loan, is apparent:

Term	Rate of interest.		
Years—	5 per cent	5½ per cent	6 per cent
Ten	\$129.50	\$132.67	\$135.87
Fifteen	96.34	99.63	102.96
Twenty	80.24	83.68	87.18
Twenty-five	70.95	74.55	78.23
Thirty	65.05	68.81	72.65
Thirty-five	61.07	64.97	68.97
Forty	58.28	62.32	66.46

Following is the form of articles of association approved by the federal farm loan board:

Treasury Department, Federal Farm Loan Board—Form No. 1.
Articles of Association of the National Farm Loan Association of
(Town) (County)
(State).

The undersigned being the owners (or about to become owners) of farm land within the territory hereinafter defined, hereby associate ourselves together as The National Farm Loan Association.

The purposes of this association are to enable the subscribers and persons who may hereafter be admitted to membership, to avail ourselves of the provisions of the "federal farm loan act" and to transact all business and exercise all powers which a national farm loan association may legally transact and exercise under the provisions of said act.

The capital stock of this association shall be ten thousand dollars (\$10,000), but the association may begin business when stock to the amount of \$1,000 has been subscribed. At any time after 90 per cent of the authorized capital stock of this association shall have been subscribed, the board of directors by a two-thirds vote, which shall be entered on its minutes, may increase the capital stock to such amount as may seem necessary to meet the demands of increasing membership or increasing loans to members.

In the event of this association becoming insolvent, each stockholder shall be liable for the debts of the association in a sum not exceeding 5 per cent of the amount borrowed, but there shall be no other liability of one member for the debt or obligation of another.

The number of directors of this association

Name.	Address.
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The territory within which this association shall transact business shall be the following:

The amount of stock subscribed, and the amount of loan desired by each of us is set opposite our respective names.

(Note—At the time of signing the articles of association, each member shall fill out, sign and deliver to the secretary his application for loan.)

Advantage of Rural Credits Through the Mechanism Of Federal Reserve System

Federal reserve banks rediscount short-time paper for national banks only; and the law does not permit the rediscount of any paper which has maturity of over six months at the time same is offered for rediscount. This provision of the law necessarily limits the facilities of the federal reserve banks to users of short-time paper. 6-26-16

Why may not the enormous resources of this great co-ordinated system of national banks be made the medium for extension of a safe volume of rural credits, with profit to the banks and benefit to the agriculturalist as intended in section 24?

An Opportunity to Use "Idle Credits."
What more opportune time could possibly be found to provide for new, safe and profitable investment of this enormous amount of "idle credits" not necessary for commercial purposes? What safer security can be

The amendment of the sections of the federal reserve law will make this possible; extend rural credits through the federal reserve system, and make effective provisions of section 124 of the act.

Provide that national or federal reserve banks may hold such farm loans as an investment, sell same, or that the federal reserve banks may at their option transfer same to the secretary of treasury; such sale or transfer to terminate all bank liability on loans so transferred. This will provide a means for making liquid reserve bank and national bank funds invested in farm

Provide for bureau of farm loans under the secretary of treasury to have charge of farm loans transferred to the secretary; to sell same to investors, or to any federal reserve bank in other districts, at par and accrued interest only. The proceeds to be used to retire outstanding federal reserve notes

Farm loans made under these provisions would be approved first by the local national bank; then again by the federal reserve bank of the district when offered for rediscount; and, thirdly, by the bureau of farm loans under the secretary of the treasury, before being accepted by the treasury. These safeguards appear most adequate.

Federal Reserve Notes "As Advances."

If this policy of government aid which is embodied in the federal reserve act is a wise use of government money for aiding commercial or short-time borrowers, why should not the same privileges of government aid be extended to those who need long-term loans secured by farm lands?

If the rediscount of farm loans by federal reserve banks is legalized, it will prove far more effective than all other inducements contained in the act for the purpose of drawing state banks into the system. Thousands of these state institutions will become "member banks" in order to secure the privilege of rediscounting farm loans; and in this way greatly strengthen the system and increase its resources and usefulness.

Land Banks an Unnecessary Expense.

"Any rural credit plan will fail to have its maximum usefulness unless it recognizes the mechanism created by the federal reserve board and articulates with the federal reserve system. Unless there is thoroughly intelligent co-operation between the reserve banks and any new rural credit mechanism there is sure to be unnecessary duplication of government machinery."

The ascertainment of title, the appraisal of lands and the execution of the necessary papers to complete the loan must be made in accordance with state laws; and under the supervision of the local national bank making the original loan. These matters are therefore subject to legislative enactment by the several states. Perfection of means for sure, speedy and inexpensive validation of land titles will be enacted in those states where same are necessary if the usefulness and powers of the federal reserve system are extended so as to permit investment by the federal reserve banks to a limited extent in farm loans.

Must Find New Use for "Idle Credits."

The federal reserve board in its annual report, February, 1916, recognizing the value of section 24, which authorizes five-year loans, secured by farm lands, recommends to congress two amendments to that section which broaden its uses and also add provision for one-year loans secured by city real estate. These amendments are doubtless intended to meet the need for some new field of investment of the unused resources of the federal reserve system as indicated by the small rediscounts of only seventy millions.

Evidence of this is given by the fact that the reserve bank of New York, with capital and deposits of over \$200,000,000, reports only \$450,000 of farm loans made by the national banks of that district. The chairman of the federal reserve bank of Minneapolis, in line with the suggestions herein made, has correctly said:

The Foundation Rock of Rural Credits.
These words are most comprehensive and go to the very bottom of the question of rural credits.

Since every dollar of rediscounts made by the federal reserve banks is based upon the credit of the United States in the form of federal reserve notes, payable on demand by the government in gold, the use of these

The federal reserve law of 1913 recognized the safety of farm loans, when, in section 24, it legalized such loans by national banks. Conflicting provisions in section 13 of the act have made inoperative the privileges of section 24.

If the federal reserve law is "the emancipation of credits," as has been claimed, the emancipation should embrace credits of all kinds without discrimination. By suitable amendments herein suggested the federal reserve act can emancipate rural credits.

Don't Let Mere Words "Coöperative" or
"Rural Credits" Deceive You

"While in Tennessee a short time ago I learned that an agent had been through that section selling, at twice its par value, stock in some rural credit scheme which is being promoted under the name of 'The _____ Rural Credit Association.' Whether or not the scheme is a fake I am not prepared to say; but this agent was making to the farmers promises which no honest corporation could sanction, and I am much inclined to think that this one is not honest."

Neighborhood coöperation may not look so alluring nor make such amazing promises, but—we are going to say it over and over again—it is the one solid rock upon which the farmer can build his independence and freedom.